HITACHI
Inspire the Next

Annual Securities Report

(The 154th Business Term)
From April 1, 2022 to March 31, 2023

6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Hitachi, Ltd.

[Cover]

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This is an English translation of the Annual Securities Report filed with the Director of the Kanto Local Finance Bureau via Electronic Disclosure for Investors' NETwork ("EDINET") pursuant to the Financial Instruments and Exchange Act of Japan with some contents including cover page, table of contents and URL of the reference information.

Certain information in "Part I. Information on the Company - II. Business Overview - 3. Risk Factors - Risks Related to Our American Depositary Shares" is only included in this English translation of the Annual Securities Report for ADSs holders and not included in the original report.

Certain information in "Part I. Information on the Company - V. Financial Information" in this document incorporates financial statements prepared in conformity with the International Financial Report Standards ("IFRS") as issued by the International Accounting Standards Board and independent auditor's report instead of the English translation of the Annual Securities Report.

The translation of the Internal Control Report, the Independent Auditors' Report and the Confirmation Letter for the original Annual Securities Report are included at the end of this document.

In this document, the terms "we," "us," "our" and "Hitachi" refer to Hitachi, Ltd. and consolidated subsidiaries or, as the context may require, Hitachi, Ltd. on a non-consolidated basis and the term "the Company" refers to Hitachi, Ltd. on a non-consolidated basis.

Unless otherwise stated, in this document, where we present information in millions or hundreds of millions of yen, we have truncated amounts of less than one million or one hundred million, as the case may be. Accordingly, the total of figures presented in columns or otherwise may not equal the total of the individual items. We have rounded all percentages to the nearest percent, one-tenth of one percent or one-hundredth of one percent, as the case may be.

References in this document to the "Financial Instruments and Exchange Act" are to the Financial Instruments and Exchange Act of Japan and other laws and regulations amending and/or supplementing the Financial Instruments and Exchange Act of Japan.

References in this document to the "Companies Act" are to the Companies Act of Japan and other laws and regulations amending and/or supplementing the Companies Act of Japan.

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Part I Information on the Company

I. Overview of the Company

1. Key Financial Data

(1) Consolidated financial data, etc.

(Millions of yen, unless otherwise stated)

Fiscal year	IFRS				
	150th business term	151st business term	152nd business term	153rd business term	154th business term
Year end	March 2019	March 2020	March 2021	March 2022	March 2023
Revenues	9,480,619	8,767,263	8,729,196	10,264,602	10,881,150
Income before income taxes	516,502	180,268	844,443	839,333	819,971
Net income attributable to Hitachi, Ltd. stockholders	222,546	87,596	501,613	583,470	649,124
Comprehensive income attributable to Hitachi, Ltd. stockholders	171,140	(8,465)	838,237	958,008	905,819
Total Hitachi, Ltd. stockholders' equity	3,262,603	3,159,986	3,525,502	4,341,836	4,942,854
Total equity	4,414,403	4,266,739	4,458,232	5,355,277	5,335,567
Total assets	9,626,592	9,930,081	11,852,853	13,887,502	12,501,414
Total Hitachi, Ltd. stockholders' equity per share (yen)	3,378.81	3,270.43	3,646.46	4,488.91	5,271.97
Earnings per share attributable to Hitachi, Ltd. stockholders, basic (yen)	230.47	90.71	519.29	603.75	684.55
Earnings per share attributable to Hitachi, Ltd. stockholders, diluted (yen)	230.25	90.60	518.51	602.96	683.89
Total Hitachi, Ltd. stockholders' equity ratio (%)	33.9	31.8	29.7	31.3	39.5
Return on equity (%)	6.8	2.7	15.0	14.8	14.0
Price earnings ratio (times)	15.6	34.6	9.6	10.2	10.6
Net cash provided by operating activities	610,025	560,920	793,128	729,943	827,045
Net cash used in investing activities	(162,872)	(525,826)	(458,840)	(1,048,866)	151,063
Net cash provided by (used in) financing activities	(320,426)	2,837	(184,838)	202,739	(1,142,966)
Cash and cash equivalents at end of year	807,593	812,331	1,015,886	968,827	833,283
Number of employees	295,941	301,056	350,864	368,247	322,525

(Notes) 1. Our consolidated financial statements have been prepared in conformity with IFRS.

2. On October 1, 2018, the Company completed the share consolidation of every five shares into one share for its common stock. The figures for total Hitachi, Ltd. stockholders' equity per share and earnings per share attributable to Hitachi, Ltd. stockholders, basic and diluted, are calculated on the assumption that the Company conducted this share consolidation at the beginning of the 150th business term.

3. The figures of "Income before taxes" before the 152nd business term are measured by "Income from continuing operations, before income taxes."

4. Average numbers of part-time employees, etc. are not stated since those were less than 10% of the number of employees.

(2) Financial data etc. of the Company

(Millions of yen, unless otherwise stated)

Fiscal year	150th business term	151st business term	152nd business term	153rd business term	154th business term
Year end	March 2019	March 2020	March 2021	March 2022	March 2023
Revenues	1,927,241	1,793,250	1,678,223	1,623,424	1,631,338
Ordinary income	304,069	355,490	305,461	365,049	354,719
Net income	174,062	119,409	705,511	516,115	987,946
Common stock	458,790	459,862	460,790	461,731	462,817
Number of issued shares (thousands of shares)	966,692	967,280	967,885	968,234	938,083
Total net assets	1,563,456	1,579,058	2,243,742	2,643,733	3,336,637
Total assets	3,934,118	4,004,408	4,982,609	5,815,620	5,940,498
Net assets per share (yen)	1,617.32	1,631.97	2,318.50	2,731.77	3,557.49
Dividends per share (yen) [Of the above, interim dividends per share (yen)]	58 [8]	95 [45]	105 [50]	125 [60]	145 [70]
Net income per share, basic (yen)	180.26	123.59	729.77	533.63	1,041.20
Net income per share, diluted (yen)	180.09	123.49	729.18	533.30	1,040.62
Stockholders' equity ratio (%)	39.7	39.4	45.0	45.4	56.1
Return on equity (%)	11.2	7.6	36.9	21.1	33.1
Price earnings ratio (times)	19.9	25.4	6.9	11.6	7.0
Dividend payout ratio (%)	50.0	76.9	14.4	23.4	13.9
Number of employees	33,490	31,442	29,850	29,485	28,672
Total shareholder return (%) [Comparative indicator : TOPIX] (%)	95.4 [92.7]	86.4 [81.7]	137.4 [113.8]	170.7 [113.4]	202.7 [116.7]
Highest share price (yen)	3,925.0 [873.7]	4,693.0	5,515.0	7,460.0	7,463.0
Lowest share price (yen)	2,767.5 [692.1]	2,524.0	2,855.0	4,750.0	5,665.0

(Notes) 1. On October 1, 2018, the Company completed the share consolidation of every five shares into one share for its common stock. The figures for net assets per share and net income per share, basic and diluted, are calculated on the assumption that the Company conducted this share consolidation at the beginning of the 150th business term.

2. On October 1, 2018, the Company completed the share consolidation of every five shares into one share for its common stock. 58 yen of dividends per share for the 150th business term is the sum of 8 yen of the interim dividend per share before the share consolidation and 50 yen of the year-end dividend per share after the share consolidation.

3. Average number of part-time employees, etc. is not stated since it was less than 10% of the number of employees.

4. The highest and lowest share prices are market prices on the Prime Market of the Tokyo Stock Exchange since April 4, 2022 and the highest and lowest share prices before that are market prices on the first section of the Tokyo Stock Exchange. On October 1, 2018, the Company completed the share consolidation of every five shares into one share for its common stock. Regarding the 150th business term, the figures in the upper row are the highest and lowest prices after the share consolidation and the figures in brackets in the lower row are those before the share consolidation.

5. Effective from the 153rd business term, the Company adopted the "Accounting Standard for Revenue recognition" (ASBJ Statement No.29, March 31, 2020). The figures for key financial data from the 153rd business term are restated as the standard is applied.

Please check out our YouTube channel.
https://www.youtube.com/watch?v=mclBcKeywTY

2. History

1910 – 1945
Founding period
Challenges faced by Hitachi's pioneers

	1910	Founded as a repair shop at Hitachi copper mine of Kuhara Mining Company
Feb.	1920	Incorporated as Hitachi, Ltd. with the Hitachi and Kameido Works
Feb.	1921	Acquired the Kasado shipyard from Nippon Kisen Co., Ltd. and established Kasado Works
May	1935	Equity participation in Kyousei Reiki Kogyo K.K. (later changed its name to Hitachi Plant Engineering & Construction Co., Ltd.)
May	1937	Merged Kokusan Industries, Ltd. and established 7 factories, including Totsuka Works
Apr.	1939	Established Taga Works, spun off Hitachi Research Laboratory from Hitachi Works
Sep.	1940	Established Mito Works
Apr.	1942	Established Central Research Laboratory
Sep.	1943	Merged Riken Vacuum Industry and established Mobara Works
Mar.	1944	Spun off Shimizu Works from Kameari Works
Dec.		Spun off Tochigi Works from Taga Works

1910
A five-horsepower induction motor, one of the products we offered during our founding period (motor)

1946 – 1960
Postwar reconstruction period
Path to reconstruction

Apr.	1947	Established Hinode Shokai Co., Ltd. (currently Hitachi High-Tech Corporation)
May	1949	Established Higashi-Nippon Senikikai K.K. (later changed its name to Hitachi Medical Corporation)
Feb.	1950	Established Nitto Transport K.K. (later Hitachi Transport System, Ltd.)
May	1955	Established Hitachi Sales Corporation
Oct.	1956	Spun off Hitachi Metals Industries, Ltd. (later Hitachi Metals, Ltd.) and Hitachi Cable, Ltd.
Nov.		Established Hitachi Kiden Kogyo, Ltd.
Jun.	1957	Spun off Kokubu Works from Hitachi Works
Feb.	1959	Established Yokohama Works
Oct.		Established Hitachi New York, Ltd. (currently Hitachi America, Ltd.)
Jun.	1960	Equity participation in Nippon Business Consultant Co., Ltd. (later changed its name to Hitachi Information Systems, Ltd.)
Aug.		Established Hitachi Geppan Corp. (later changed its name to Hitachi Credit Corporation)

1956
Escalators that became vertical metropolitan pathways

1961 – 1970
Rapid growth period
Fostering comprehensive strength

Feb.	1961	Spun off Naka Works from Taga Works;
		Equity participation in Maxell Electric Industrial Co., Ltd.
Aug.		Established Katsuta Works
Aug.	1962	Established Kanagawa Works
Feb.	1963	Spun off Narashino Works from Kameido Works
Apr.		Spun off Hitachi Chemical Company, Ltd.
Feb.	1966	Established Mechanical Engineering Research Laboratory
Feb.	1968	Spun off Sawa Works from Taga Works, spun off Tokai Works from Yokohama Works, and spun off Odawara Works from Kanagawa Works

1964
The world's first Shinkansen (bullet train) cars to reach 200 km/h

Feb.	1969	Established Software Works
Apr.		Established Ome Works
Aug.		Established Omika Works
Dec.		Spun off Hitachi Construction Machinery Co., Ltd.
May	1970	Established Takasaki Works
Sep.		Established Hitachi Software Engineering Co., Ltd.

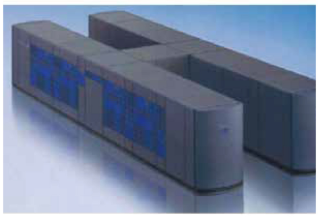
1971 — 1985
Transitional period
Focus on growth sectors

Apr.	1971	Acquired Asahi Works from Hitachi Denshi, Ltd.
Jun.		Established Production Engineering Research Laboratory
Feb.	1973	Established Systems Development Laboratory
Jun.	1974	Established Tsuchiura Works
Nov.		Relocated Kameido Works and renamed to Nakajo Works
Jun.	1982	Established Hitachi Europe Ltd.
Apr.	1985	Established Advanced Research Laboratory

1972
COMTRAC, Computer Aided Traffic Control System for Shinkansen, operations launched

1986 — 2008
Reform period
Strengthening of Group management

Feb.	1989	Established Hitachi Asia Pte. Ltd. (currently Hitachi Asia Ltd.)
Feb.	1991	Integrated Sawa Works into Automotive Products Division
Aug.		Integrated Katsuta Works into Materials Process Technology Division; integrated Totsuka Works into Information & Telecommunication Division; integrated Naka Works into Instruments Division
Feb.	1992	Integrated Yokohama Works and Tokai Works into AV Products Division
Aug.		Changed operation unit of home appliances, computers and electronic devices businesses from factory to business division
Feb.	1993	Integrated Semiconductor Technology Development Center, Musashi Works and Takasaki Works into Semiconductor Division
Aug.		Integrated Shimizu Works into Air Conditioning Division, integrated Nakajo Works and Narashino Works into Industrial Equipment Division
Aug.	1994	Integrated Consumer Products Group and Image & Information Media Division and renamed to Consumer Products & Information Media Systems Group
Oct.		Established Hitachi (China), Ltd.
Feb.	1995	Reorganized business groups as Power & Industrial Systems Group, Consumer Products & Information Media Systems Group, Information Systems Group and Electronics Components Group; integrated a part of R&D division and sales division into the business groups
Apr.		Merged Hitachi Sales Corporation
Apr.	1999	Reorganized business groups into de facto companies to independently operate each business group
Oct.	2000	Merged Hitachi Credit Corporation with Hitachi Leasing Corp. and changed its name to Hitachi Capital Corporation



1999
Launch of super technical server (world's fastest at the time)

Oct.	2001	Split Instruments Group and Semiconductor Manufacturing Equipment Group via company split and reorganized as Hitachi High-Technologies Corporation (currently Hitachi High-Tech Corporation); Split Industrial Machinery Systems Division via company split and reorganized as Hitachi Industries Co., Ltd.
Apr.	2002	Split Home Appliance Group via company split and reorganized as Hitachi Home & Life Solutions, Inc.; Split Industrial Equipment Group via company split and reorganized as Hitachi Industrial Equipment Systems Co., Ltd.

2001
Proton therapy system
(University of Tsukuba Hospital)

Oct.		Split Display Group via company split and established Hitachi Displays, Ltd.; Split Telecommunication Equipment Division via company split and reorganized as Hitachi Communication Technologies, Ltd.; Turned Unisia Jecs Corporation (later changed its name to Hitachi Unisia Automotive, Ltd.) into a wholly owned subsidiary via share exchange
Jan.	2003	Acquired HDDs business from IBM Corp., and commenced operations as Hitachi Global Storage Technologies Netherlands B.V.
Apr.		Split semiconductor business, centering on system LSIs, via company split and established Renesas Technology Corp. (merged with NEC Electronics Corporation and changed its name to Renesas Electronics Corporation in April 2010, and ceased to be an affiliate of the Company due to a decrease in the Company's ownership percentage of voting rights in September 2013)
Jun.		Adopted committee system as the Company's corporate governance structure
Oct.	2004	Merged TOKICO, Ltd. and Hitachi Unisia Automotive, Ltd.; Split Mechatronics System Division, centering on ATMs, via company split and established Hitachi-Omron Terminal Solutions, Corp. (later changed its name to Hitachi Channel Solutions, Corp.)
Apr.	2006	Split Social & industrial infrastructure business via company split and integrated with Hitachi Plant Engineering & Construction Co., Ltd., Hitachi Kiden Kogyo, Ltd. and Hitachi Industries Co., Ltd. and reorganized as Hitachi Plant Technologies, Ltd.; Merged Hitachi Home & Life Solutions, Inc. with Hitachi Air Conditioning Systems Co., Ltd. and changed its name to Hitachi Appliances, Inc.
Dec.		Turned Clarion Co., Ltd. into a consolidated subsidiary via tender offer
Jul.	2007	Split nuclear power systems business via company split and reorganized as Hitachi-GE Nuclear Energy, Ltd.

2009 – 2018
Regeneration period
Toward a global Hitachi

Mar.	2009	Turned Hitachi Koki Co., Ltd. into a consolidated subsidiary via tender offer; Turned Hitachi Kokusai Electric Inc. into a consolidated subsidiary via tender offer
Jul.		Merged Hitachi Communication Technologies, Ltd.; Split Automotive Systems Group via company split and established Hitachi Automotive Systems, Ltd.; Split Consumer Business Group via company split and established Hitachi Consumer Electronics Co., Ltd.
Oct.		Reorganized business groups into in-house companies with independent accounting to promote quick business operation
Feb.	2010	Turned Hitachi Information Systems, Ltd., Hitachi Software Engineering Co., Ltd. and Hitachi Systems & Services, Ltd. into wholly owned subsidiaries
Apr.		Turned Hitachi Plant Technologies, Ltd. and Hitachi Maxell, Ltd. into wholly owned subsidiaries via share exchanges (turned Hitachi Maxell, Ltd. into an equity-method associate of the Company via selling its shares in March 2014, and ceased to be an affiliate of the Company in March 2017 due to selling its shares)
Oct.		Merged Hitachi Software Engineering Co., Ltd. with Hitachi Systems & Services, Ltd. and changed its name to Hitachi Solutions, Ltd.
Oct.	2011	Merged Hitachi Electronics Services Co., Ltd. with Hitachi Information Systems, Ltd. and changed its name to Hitachi Systems, Ltd.

Mar.	2012	Transferred HDDs business to Western Digital Corporation via share sale of Viviti Technologies Ltd., a holding company for Hitachi Global Storage Technologies Inc., etc. Transferred small and medium-sized displays business via share sale of Hitachi Displays, Ltd.
Apr.	2013	Merged Hitachi Plant Technologies, Ltd.
Jul.		Merged Hitachi Metals, Ltd. with Hitachi Cable, Ltd.
Feb.	2014	Split thermal power generating systems business via company split and transferred to Mitsubishi Hitachi Power Systems, Ltd. (ceased to be an affiliate of the Company in September 2020 due to selling its shares)
Mar.		Turned Hitachi Medical Corporation into a wholly owned subsidiary via share exchange (changed its name to Hitachi Healthcare Manufacturing, Ltd. following the reorganization of Hitachi's healthcare business in April 2016)
Apr.	2015	Reorganized Central Research Laboratory, Hitachi Research Laboratory, Yokohama Research Laboratory, Design Division and overseas R&D facilities into Global Center for Social Innovation, Center for Technology Innovation and Center for Exploratory Research to establish global R&D structure from the customers' perspective
Oct.		Hitachi Appliances, Inc. transferred its air-conditioning systems business to a joint venture established with Johnson Controls Inc.
Apr.	2016	Reorganized in-house companies into business units as a market-specific business structure
May		Turned Hitachi Transport System, Ltd. into an equity-method associate of the Company via sale of a part of its shares (ceased to be an affiliate of the Company in March 2023 due to selling its shares)
Oct.		Turned Hitachi Capital Corporation into an equity-method associate of the Company via sale of a part of its shares (ceased to be an affiliate of the Company as a result of the merger with Mitsubishi UFJ Lease & Finance Company Limited. in April 2021)
Mar.	2017	Transferred power tools business via share sale of Hitachi Koki, Co., Ltd.
Jun.	2018	Sold semiconductor manufacturing equipment business of Hitachi Kokusai Electric Inc. and also turned it into an equity-method associate of the Company

2017
Class 800 train for the Intercity Express Programme (IEP)

2019 — Toward further growth

Mar.	2019	Transferred car information systems business via share sale of Clarion, Co., Ltd.
Apr.		Merged Hitachi Appliances, Inc. with Hitachi Consumer Marketing, Inc. and changed its name to Hitachi Global Life Solutions, Inc.
Apr.	2020	Transferred the business of Hitachi Chemical Company, Ltd. via share sale of the company
May		Turned Hitachi High-Tech Corporation into a wholly owned subsidiary
Jul.		Acquired the power grids business from ABB Ltd and commenced operations as Hitachi ABB Power Grids Ltd. (later changed its name to Hitachi Energy Ltd)
Jan.	2021	Merged Hitachi Automotive Systems, Ltd. with Keihin Corporation, Showa Corporation and Nissin Kogyo Co., Ltd. and changed its name to Hitachi Astemo, Ltd.
Mar.		Split the diagnostic imaging-related business via company split and transferred to FUJIFILM Healthcare Corporation and sold the business via share sale of the company
July		Hitachi Global Digital Holdings LLC (later changed its name to Hitachi Digital LLC) turned GlobalLogic Worldwide Holdings, Inc., which has GlobalLogic Inc. as a subsidiary, into a wholly owned subsidiary
Aug.	2022	Turned Hitachi Construction Machinery Co., Ltd. into an equity-method associate of the Company via sale of a part of its shares
Jan.	2023	Transferred the business of Hitachi Metals, Ltd. (currently Proterial, Ltd.) via share sale of the company

2021
Establishment of Lumada Innovation Hub Tokyo as the flagship site for co-creation

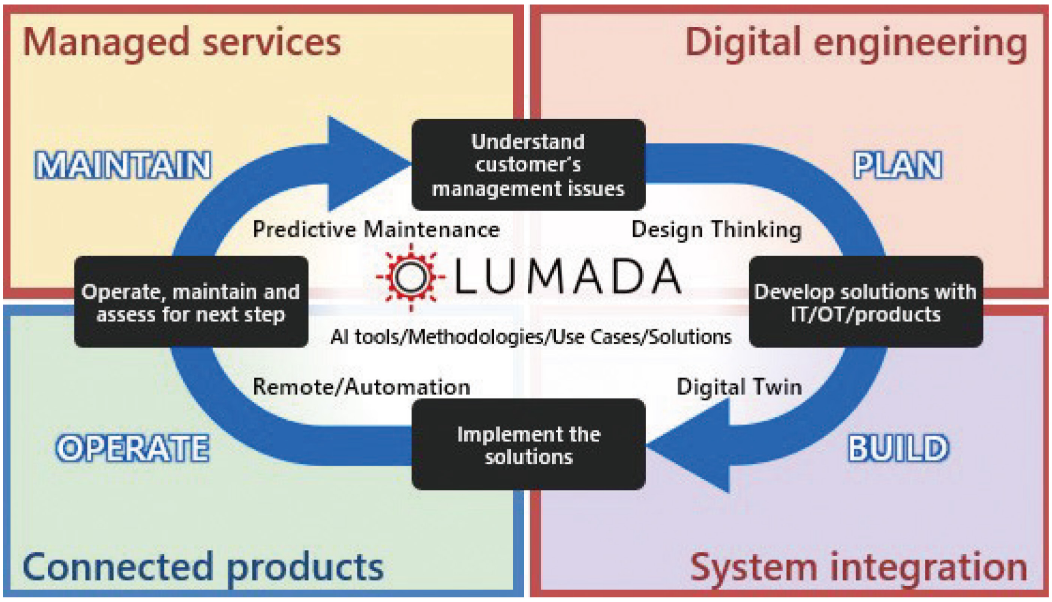
Please check out our YouTube channel.
https://www.youtube.com/watch?v=2pTZIJBBNRo

3. Description of Business

As of March 31, 2023, the Hitachi Group, which is comprised of the Company and 963 affiliates (696 consolidated subsidiaries and 267 equity-method associates and joint ventures.), positions three sectors: “Digital Systems & Services,” “Green Energy & Mobility,” and “Connective Industries,” as growth areas and allocates related business units into each sector. “Automotive System” positions alongside the above three sectors. Ranging over the seven segments from the four sectors to additional two segments as Hitachi Construction Machinery and Hitachi Metals, and Others, the Hitachi Group engages in a broad range of business activities, from product development and manufacturing to sales and services.

(Note) Hitachi Construction Machinery Co., Ltd. has ceased to be a consolidated subsidiary of the company through the partial transfer of shares on August 23, 2022. Hitachi Metals, Ltd. has ceased to be an affiliate of the Company through the share transfer on January 5, 2023. As a result, Hitachi Construction Machinery segment and Hitachi Metals segment were abolished on April 1, 2023.

One of the Hitachi’s strengths is the ability to provide solutions that use digital technologies to resolve issues that customers and society face and our operational technology (OT), which runs equipment and systems at production sites, and social infrastructure such as railways and power distribution systems in addition to the high-quality and highly reliable products.



At the present time when society and business continue to generate more data, Hitachi’s Lumada acts as an engine that creates new value from these data and accelerates innovation. Lumada is a general term for the solutions, services and technologies that utilize Hitachi’s advanced digital technologies to create value from customers’ data and accelerate digital innovation. It is derived from the words “illuminate” and “data” and was created based on the idea of combining the strengths of OT, IT and products cultivated within Hitachi. Along with the development of IT and the Internet of things (IoT), social and business activities continue to generate data at an increasing speed. Hitachi has focused on these data as a new source of value in future society and launched the Lumada business in 2016 with the goal of using large volumes of data to create innovation for the world.

Utilizing digital technology such as data analytics and AI, the Lumada business builds a cycle of value co-creation with customers that involves understanding customers’ management issues, designing, implementing, operating and maintaining solutions to the issues, and working to solve the next issues. Specifically, we are promoting the provision of service and solutions such as sophistication of operation and maintenance through operation monitoring and predictive diagnosis of failures and ticketing and digital payment utilizing secure data management. Rather than relying merely on product sales, we will strive to expand the Lumada business by leveraging our strengths in OT x IT x Products, commercializing our expertise in various industries and operations and shifting to digital solutions that can be provided to multiple customers in order to build a business model based on value created through the provision of solutions, such as fee income profit model.

Major business outline for each segment and the positioning of Business Units (BU) of the Company and principal affiliated companies are described as follows.

(As of March 31, 2023)

Segments	Main products and services	BU and principal affiliated companies
Digital Systems & Services	・Digital Solutions (System Integration, Consulting, Cloud Services), ・IT Products (Storage, Servers) ・Software ・ATMs	[BU] Financial Institutions BU Social Infrastructure Systems BU Services & Platforms BU [Consolidated subsidiaries] Hitachi Information & Telecommunication Engineering, Ltd. Hitachi Channel Solutions Corp. Hitachi Solutions, Ltd. Hitachi Systems, Ltd. GlobalLogic Worldwide Holding, Inc. Hitachi Computer Products (America), Inc. Hitachi Digital LLC Hitachi Payment Services Private Limited Hitachi Vantara LLC
Green Energy & Mobility	・Energy Solutions (Power Grids, Renewable Energy, Nuclear), ・Railway Systems	[BU] Power Grids BU Energy BU Nuclear Energy BU Railway Systems BU [Consolidated subsidiaries] Hitachi-GE Nuclear Energy, Ltd. Hitachi Plant Construction, Ltd. Hitachi Power Semiconductor Device, Ltd. Hitachi Power Solutions Co., Ltd. Hitachi Energy Ltd Hitachi Rail Ltd.
Connective Industries	・Building Systems (Elevators, Escalators), ・Smart Life & Ecofriendly Systems (Home Appliances, Air Conditioners), ・Measurement and Analytical Systems (Medical and Bio, Semiconductor, Industry), ・Industry & Distribution Solutions, ・Water & Environment Solutions ・Industrial Machinery	[BU] Building Systems BU Industrial Digital BU Water & Environment BU [Consolidated subsidiaries] Hitachi Building Systems Co., Ltd. Hitachi Global Life Solutions, Inc. Hitachi High-Tech Corporation Hitachi Industrial Equipment Systems Co., Ltd. Hitachi Industrial Products, Ltd. Hitachi Industry & Control Solutions, Ltd. Hitachi Plant Services Co., Ltd. Hitachi Elevator (China) Co., Ltd. Hitachi Industrial Holdings Americas, Inc. JR Technology Group, LLC Sullair, LLC [Equity-method associates] Hitachi Kokusai Electric Inc. Arcelik Hitachi Home Appliances B.V. Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd
Automotive Systems	・Powertrain, ・Chassis ・Advanced Driver Assistance, ・Motorcycle Systems	[Consolidated subsidiaries] Hitachi Astemo, Ltd. Hitachi Astemo Americas, Inc.
Hitachi Construction Machinery	・Hydraulic Excavators ・Wheel Loaders ・Mining Machinery ・Maintenance and Services ・Construction Solutions ・Mine Management Systems	-
Hitachi Metals	・Specialty Steel Products ・Functional Components and Equipment ・Magnetic Materials and Power Electronics Materials ・Wires, Cables and Related Products	-

(As of March 31, 2023)

Segments	Main products and services	BU and principal affiliated companies
Others	・Optical Disk Drives ・Property Management	[Consolidated subsidiaries] Hitachi-LG Data Storage, Inc. Hitachi Real Estate Partners, Ltd. Hitachi America, Ltd. Hitachi Asia Ltd. Hitachi (China), Ltd. Hitachi Europe Ltd. Hitachi India Pvt. Ltd.

(Notes) 1. Hitachi America, Ltd., Hitachi Asia Ltd., Hitachi (China), Ltd., Hitachi Europe Ltd. and Hitachi India Pvt. Ltd. are the Hitachi Group's regional supervising company for Americas, Asia, China, Europe and India, and they sell the Hitachi Group's products.

2. Services & Platforms BU belonging to Digital Systems & Services Segment was reorganized as Cloud Services Platforms BU on April 1, 2023. Digital Engineering BU was established in Digital Systems & Services Segment on April 1, 2023.

3. Energy BU belonging to Green Energy & Mobility Segment was abolished on April 1, 2023.

4. Sullair, LLC changed its name to Hitachi Global Air Power US, LLC on April 12, 2023.

5. Hitachi Construction Machinery Co., Ltd. has ceased to be a consolidated subsidiary of the Company and become an equity-method associate of the Company through the partial transfer of shares on August 23, 2022. Consequently, there is no company which belongs to the Hitachi Construction Machinery segment and Hitachi Construction Machinery Segment was abolished on April 1, 2023.

6. Hitachi Metals, Ltd. has ceased to be an affiliate of the Company through the share transfer on January 5, 2023. Consequently, there is no company which belongs to the Hitachi Metals segment and Hitachi Metals Segment was abolished on April 1, 2023. Hitachi Metals, Ltd. changed its name to Proterial, Ltd. on January 4, 2023.

7. In addition to the table above, the major equity-method associates is Hitachi Construction Machinery Co., Ltd. as of March 31, 2023.

4. Information on Affiliates

(1) Consolidated subsidiaries

(As of March 31, 2023)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Information & Telecommunication Engineering, Ltd.	Nishi-ku, Yokohama, Kanagawa	1,350	Digital Systems & Services	100.0	The Company outsources design, development, manufacturing, evaluation and validation of storages, servers and telecommunication networks equipment, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Channel Solutions, Corp.	Shinagawa-ku, Tokyo	8,500	Digital Systems & Services	100.0	The Company purchases ATMs and other information equipment. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Solutions, Ltd.	Shinagawa-ku, Tokyo	20,000	Digital Systems & Services	100.0	The Company outsources development of information systems and software, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
*Hitachi Systems, Ltd.	Shinagawa-ku, Tokyo	19,162	Digital Systems & Services	100.0	The Company outsources calculation, development of software, installation and maintenance of telecommunication equipment and computers. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
*GlobalLogic Worldwide Holdings, Inc.	California, U.S.A.	(Thousands of US dollars) 8,373,504	Digital Systems & Services	[100.0] 100.0	The company operates digital engineering service business. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Computer Products (America), Inc.	Oklahoma, U.S.A.	(Thousands of US dollars) 14,000	Digital Systems & Services	[100.0] 100.0	The Company supplies parts for computer peripherals. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2023)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
*Hitachi Digital LLC	California, U.S.A.	(Thousands of US dollars) 9,918,641	Digital Systems & Services	100.0	Holding company for Hitachi Vantara LLC, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Payment Services Private Limited	Chennai, India	(Thousands of Indian rupee) 79,158	Digital Systems & Services	[58.8] 100.0	Offering the Hitachi Group's payment services for financial institutions in India. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
*Hitachi Vantara LLC	California, U.S.A.	(Thousands of US dollars) 925,000	Digital Systems & Services	[100.0] 100.0	Sales company for the Company's storage, etc. The Company outsources consulting services. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi-GE Nuclear Energy, Ltd.	Hitachi, Ibaraki	5,000	Green Energy & Mobility	80.0	The Company delivers nuclear power generation equipment, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Plant Construction, Ltd.	Toshima-ku, Tokyo	3,000	Green Energy & Mobility	100.0	Construction of the Company's energy and industrial plants, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Power Semiconductor Device, Ltd.	Hitachi, Ibaraki	450	Green Energy & Mobility	100.0	The Company purchases semiconductor components. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Power Solutions Co., Ltd.	Hitachi, Ibaraki	4,000	Green Energy & Mobility	100.0	The Company purchases power plant parts, and outsources maintenance of power generation equipment and control equipment, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2023)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Energy Ltd	Zurich, Switzerland	(Thousands of Swiss franc) 1,250	Green Energy & Mobility	100.0	Holding company for power grids business companies from which the Company purchases power grids devices, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
*Hitachi Rail Ltd	London, U.K.	(Thousands of Sterling pounds) 878,181	Green Energy & Mobility	100.0	Manufacturing, sales, engineering and maintenance of the Company's rail systems products. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Building Systems Co., Ltd.	Chiyoda-ku, Tokyo	5,105	Connective Industries	100.0	Design, manufacturing, sales, installation and maintenance, etc. of the elevators and escalators the Company developed. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Global Life Solutions, Inc.	Minato-ku, Tokyo	20,000	Connective Industries	100.0	Manufacturing and sales of the Hitachi Group's home appliances, and sales, system installation and maintenance, etc. of the Group's air-conditioning and refrigerating products. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi High-Tech Corporation	Minato-ku, Tokyo	7,938	Connective Industries	100.0	The Company sells and purchases information equipment and power-related parts, etc. through this company. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2023)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Industrial Equipment Systems Co., Ltd.	Chiyoda-ku, Tokyo	10,000	Connective Industries	100.0	The Company purchases industrial equipment. The Company’s Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Industrial Products, Ltd.	Chiyoda-ku, Tokyo	10,000	Connective Industries	100.0	The Company purchases industrial equipment. The Company’s Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Industry & Control Solutions, Ltd.	Hitachi, Ibaraki	3,000	Connective Industries	100.0	The Company outsources development of information control systems, etc. The Company’s Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Plant Services Co., Ltd.	Toshima-ku, Tokyo	3,000	Connective Industries	100.0	Construction of the Company’s industrial and public plants, etc. The Company outsources the services for them. The Company’s Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Elevator (China) Co., Ltd.	Guangzhou, China	(Thousands of Chinese yuan) 538,806	Connective Industries	[70.0] 70.0	Sales, installation and maintenance, etc. of the Hitachi Group’s elevators and escalators in China. The Company’s Directors, Executive Officers or employees concurrently hold position of directors or officers.
*Hitachi Industrial Holdings Americas, Inc.	Illinois, USA.	(Thousands of US dollars) 2,102,670	Connective Industries	[100.0] 100.0	Holding company for JR Technology Group LLC and Sullair, LLC. The Company’s Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2023)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
JR Technology Group, LLC	Michigan, U.S.A.	-	Connective Industries	[100.0] 100.0	Holding company for JR Automation Technology, LLC, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Sullair, LLC	Indiana, U.S.A.	-	Connective Industries	[100.0] 100.0	The Company purchases industrial equipment. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
*Hitachi Astemo, Ltd.	Hitachinaka, Ibaraki	51,500	Automotive Systems	66.6	The Company purchases parts for railway vehicles, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Astemo Americas, Inc.	Kentucky, U.S.A.	(Thousands of US dollars) 171,779	Automotive Systems	[100.0] 100.0	Manufacturing and sales company in North America for the Hitachi Group's automotive systems products.
Hitachi-LG Data Storage, Inc.	Minato-ku, Tokyo	4,800	Others	51.0	Development, manufacturing and sales company for the Hitachi Group's optical disk drives and wireless chargers. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Real Estate Partners, Ltd.	Chiyoda-ku, Tokyo	2,000	Others	100.0	The Company outsources management of welfare facilities for employees, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
*Hitachi America, Ltd.	California, U.S.A.	(Thousands of US dollars) 14,142,946	Others	100.0	The Hitachi Group's regional supervising company in Americas, and sells the Hitachi Group's healthcare-related products, etc., as well as promotes R&D in Americas. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2023)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Asia Ltd.	Singapore	(Thousands of Singapore dollars) 127,649	Others	100.0	The Hitachi Group's regional supervising company for Asia, and sells the Hitachi Group's industrial machinery and train-, healthcare- and information-related products, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi (China), Ltd.	Beijing, China	(Thousands of US dollars) 226,380	Others	100.0	The Hitachi Group's regional supervising company for China, and sells the Hitachi Group's plant, industrial machinery and train-, healthcare- and information-related products, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Europe Ltd.	Stoke Poges, U.K.	(Thousands of Sterling pounds) 253,049	Others	100.0	The Hitachi Group's regional supervising company and promoting R&D company for Europe, and sells the Hitachi Group's industrial machinery and digital media- and information-related products, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi India Pvt. Ltd.	New Delhi, India	(Thousands of Indian rupee) 344,000	Others	[100.0] 100.0	The Hitachi Group's regional supervising company for India, and sells the Hitachi Group's plants and industrial machinery related products, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Others - 661 companies	-	-	-	-	-

(Notes) 1. The unit of amounts and currency shown in the “Common stock” column are in millions of yen, unless otherwise specified.

2. The common stock of JR Technology Group, LLC and Sullair, LLC is not shown since they are limited liability companies under the U.S. law, and do not have the “common stock”.

3. Companies with one asterisk (*) in the “Company name” column are specified subsidiaries.

4. The name of segment in which the companies are classified is shown in the “Principal business” column.

5. The amounts in brackets in upper row of the “Ownership percentage of voting rights” column represent the percentage of voting rights owned indirectly by subsidiaries, of the total ownership percentage.

6. Companies with negative net worth are shown below, along with the amount of liabilities in excess of assets.

Hitachi Power Europe GmbH	137,568 million yen
Hitachi Astemo Netherlands B.V.	16,385 million yen

7. Sullair, LLC changed its name to Hitachi Global Air Power US, LLC on April 12, 2023.

8. Revenues of Hitachi Energy Ltd (excluding intra-group revenue among consolidated companies) accounts for more than 10% of consolidated revenue.

Key information on profit or loss:

1) Revenues	1,413,872 million yen
2) Income before income taxes	14,676 million yen
3) Net Income	297 million yen
4) Total equity	38,781 million yen
5) Total assets	1,483,750 million yen

(2) Equity-method associates and joint ventures

(As of March 31, 2023)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Kokusai Electric Inc.	Minato-ku, Tokyo	1,000	Connective Industries	20.0	The Company purchases electronic equipment and parts, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Arcelik Hitachi Home Appliances B.V.	Amsterdam, Netherlands	(Euros) 10,000	Connective Industries	[40.0] 40.0	Holding company for operating companies for the Hitachi Group's home appliances business in overseas market.
Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd	Hampshire, U.K.	(Thousands of US dollars) 935,107	Connective Industries	[40.0] 40.0	Holding company for air-conditioning systems business companies from which the Hitachi Group purchases air-conditioning systems devices.
**Hitachi Construction Machinery Co., Ltd.	Taito-ku, Tokyo	81,576	Hitachi Construction Machinery	25.4	The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Others - 263 companies	-	-	-	-	-

(Notes) 1. The unit of amounts and currency shown in the "Common stock" column are in millions of yen, unless otherwise specified.

2. Companies with two asterisks (**) in the "Company name" column submit Securities Registration Statement or Annual Securities Report.

3. The name of segment in which the companies are classified is shown in the "Principal business" column.

4. A Company with negative net worth is shown below, along with the amount of liabilities in excess of assets.

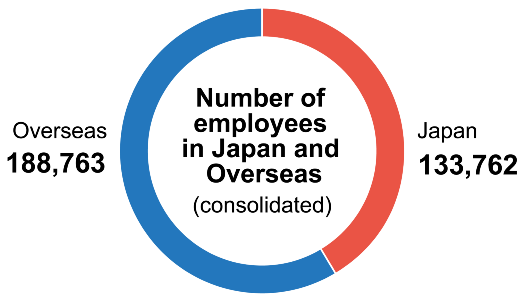
GE-Hitachi Nuclear Energy Holdings LLC 24,038 million yen

5. Employees

(1) Consolidated basis

(As of March 31, 2023)

Name of segment	Number of employees
Digital Systems & Services	100,763 [15,386]
Green Energy & Mobility	60,180 [3,869]
Connective Industries	81,883 [3,370]
Automotive Systems	64,372 [-]
Hitachi Construction Machinery	- [-]
Hitachi Metals	- [-]
Others	12,044 [2,764]
Corporate (Head Office and others)	3,283 [3,283]
Total	322,525 [28,672]



(Note) 1. The number in brackets in the lower row of the "Number of Employees" column is the number of employees of the Company included in each of the numbers in the upper row.

2. Number of employees of Hitachi Group (the Company and its subsidiaries) decreased by 45,722 during one year ended March 31, 2023. This is mainly due to the fact that there is no company which belongs to Hitachi Construction Machinery segment and Hitachi Metals segment as a result of transfer of a part of the Company's shares in Hitachi Construction Machinery Co., Ltd. and transfer of its shares in Hitachi Metals, Ltd., and two companies have ceased to be consolidated subsidiaries of the Company.

(2) The Company

(As of March 31, 2023)

Number of employees	Average age	Average length of service	Average annual salary
28,672	42.9	19.3 years	9,159,908 yen

(Note) Average annual salary includes bonuses and extra wages.

(3) Relationship with labor union

The Company's labor union, Hitachi Workers Union, is a member of the Japanese Electrical Electronic & Information Union.

The relationship between management and labor unions in the Hitachi Group is stable and cooperative.

(4) Indicators of diversity

1) Disclosure of indicator under Consolidated basis

	Ratio of women workers in managerial positions (%) Note 1,2
The Company and Consolidated subsidiaries	13.0

(Notes) 1. Results from FY2022 (April 1, 2022 to March 31, 2023) are listed.

2. Some direct employees (manufacturing workers) and some consolidated subsidiaries are not included in the calculation because those figures are not counted.

2) Disclosure of indicators under the “Act on the Promotion of Women's Active Engagement in Professional Life” and “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members”

(i) The Company

Company name	Ratio of women workers in managerial positions (%) Note 1	Percentage of men workers taking childcare leave (%) Notes 1-5	Wage gap between men and women (%) (Ratio of women's wages to men's wages) Notes 1, 2, 6, 7		
			All employees	Permanent and full-time employees	Part-time or fixed-term employees
Hitachi, Ltd.	7.4	56.8 (*)	66.4	66.7	55.3

(ii) Consolidated subsidiary

Company name	Ratio of women workers in managerial positions (%) Note 1	Percentage of men workers taking childcare leave (%) Notes 1-5	Wage gap between men and women (%) (Ratio of women's wages to men's wages) Notes 1, 2, 6, 7		
			All employees	Permanent and full-time employees	Part-time or fixed-term employees
Hitachi Urban Support, Ltd.	11.4	100.0 (*)	84.8	65.1	88.5
Hitachi IE Systems Co., Ltd.	1.2	33.3 (*)	63.6	69.6	48.4
Hitachi ICT Business Services, Ltd.	7.8	0.0 (*)	69.6	65.0	79.7
Hitachi Academy Co., Ltd.	18.1	100.0	72.9	73.1	78.0
Hitachi Astemo, Ltd.	2.1	66.4 (*)	74.4	74.4	69.0
Hitachi Astemo Ueda, Ltd.	3.0	91.7 (*)	77.4	70.1	121.3
Hitachi Astemo Sendai, Ltd.	0.0	66.7	81.0	81.0	-
Hitachi Astemo High Cast, Ltd.	0.0	0.0	74.7	74.3	79.8
Hitachi Astemo Hanshin, Ltd.	2.2	80.0 (*)	70.3	70.1	91.7
Hitachi Astemo Business Solutions, Ltd.	4.3	100.0 (*)	62.7	60.5	64.5
Hitachi Astemo Watari, Ltd.	0.0	100.0 (*)	73.9	73.7	78.4
Hitachi Advanced Systems Corporation	1.5	80.0 (*)	64.1	63.4	96.4
Hitachi Appliances Techno Service, Ltd.	0.0	0.0	63.6	68.1	60.8
Hitachi Ibaraki Technical Service Ltd.	3.8	36.4 (*)	74.8	72.5	79.8
Hitachi Pharma Information Solutions, Ltd.	5.6	25.0	82.0	82.0	82.0
Hitachi Industrial Products, Ltd.	0.7	59.1 (*)	67.2	68.8	50.5
Hitachi Information Engineering, Ltd.	12.0	38.0 (*)	76.7	78.4	54.4
Okinawa Hitachi Network Systems, Ltd.	0.0	75.0 (*)	77.8	77.8	–

Company name	Ratio of women workers in managerial positions (%) Note 1	Percentage of men workers taking childcare leave (%) Notes 1-5	Wage gap between men and women (%) (Ratio of women's wages to men's wages) Notes 1, 2, 6, 7		
			All employees	Permanent and full-time employees	Part-time or fixed-term employees
Kanto Hitachi Co., Ltd.	1.0	0.0	71.5	70.4	68.9
Kyushu Hitachi Systems, Ltd.	6.8	66.7 (*)	73.8	75.7	102.5
Hitachi Air Conditioning Solutions, Inc.	0.0	8.0 (*)	67.6	67.6	–
Hitachi Global Life Solutions, Inc.	1.7	20.2 (*)	67.4	67.8	66.1
Hitachi KE Systems, Ltd.	2.7	20.0 (*)	68.2	65.7	72.4
Hitachi Transportation Technologies, Ltd.	1.0	9.1 (*)	67.0	68.9	53.7
Hitachi Consulting Co., Ltd.	9.2	80.0 (*)	68.5	69.4	44.9
Hitachi Industrial Equipment Systems Co., Ltd.	3.0	49.0 (*)	69.1	69.6	55.2
Hitachi Industrial Equipment Technology Service, Co., Ltd.	0.0	33.3	45.5	60.9	28.7
Hitachi Industrial Equipment Drive & Solutions Co., Ltd.	0.0	0.0	70.3	74.8	52.4
Hitachi Industry & Control Solutions, Ltd.	2.1	33.3 (*)	68.0	67.1	53.4
Shikoku Hitachi Systems, Ltd.	2.9	20.0	73.1	73.2	79.0
Hitachi Systems, Ltd.	6.3	82.9 (*)	69.4	69.6	44.4
Hitachi Systems Engineering Services, Ltd.	5.1	50.0 (*)	73.6	74.4	68.9
Hitachi Systems Power Services, Ltd.	12.4	100.0 (*)	77.0	77.4	21.2
Hitachi Systems Field Services, Ltd.	2.6	68.4 (*)	66.2	72.3	62.8
Hitachi Social Information Services, Ltd.	6.4	50.0 (*)	71.6	71.8	43.2
Hitachi Information & Telecommunication Engineering, Ltd.	1.7	66.7 (*)	70.5	70.1	59.7
Hitachi Solutions, Ltd.	6.9	105.0 (*)	71.4	70.8	93.2
Hitachi Solutions Create, Ltd.	4.8	66.1 (*)	70.0	69.6	45.9
Hitachi Solutions Technology, Ltd.	2.5	100.0 (*)	70.9	69.7	92.6
Hitachi Solutions West Japan, Ltd.	4.1	69.6 (*)	68.2	67.9	–
Hitachi Solutions East Japan, Ltd.	4.4	78.6 (*)	72.0	72.0	–
Hitachi Channel Solutions, Corp.	4.9	87.5 (*)	71.4	71.6	48.8

Company name	Ratio of women workers in managerial positions (%) Note 1	Percentage of men workers taking childcare leave (%) Notes 1-5	Wage gap between men and women (%) (Ratio of women's wages to men's wages) Notes 1, 2, 6, 7		
			All employees	Permanent and full-time employees	Part-time or fixed-term employees
Hitachi Technologies and Services, Ltd.	0.0	0.0	67.4	66.1	62.5
Hitachi Document Solutions Co., Ltd.	4.8	41.2 (*)	64.0	66.4	48.7
Hitachi Nico Transmission Co., Ltd.	2.2	44.4	68.5	72.7	58.1
Nichiwa Service, Ltd.	3.0	50.0 (*)	52.5	65.8	68.3
Hitachi Hi-System21 Co., Ltd.	5.0	41.7 (*)	74.0	73.6	88.3
Hitachi High-Tech Corporation	5.2	75.2 (*)	71.4	71.1	87.8
Hitachi High-Technologies Kyushu Corporation	50.0	− (*)	77.3	69.8	96.9
Hitachi High-Tech Science Corporation	3.3	58.3 (*)	66.7	69.1	37.1
Hitachi High-Tech Support Corporation	14.3	− (*)	98.6	101.2	69.9
Hitachi High-tech Solutions Corporation	3.0	92.3 (*)	71.0	69.2	87.0
Hitachi High-Tech Nexus Corporation	5.3	0.0 (*)	66.4	64.2	56.6
Hitachi High-Tech Fielding Corporation	2.1	92.9 (*)	67.1	63.7	93.2
Hitachi High-Tech Manufacturing & Service Corporation	1.3	50.0 (*)	66.2	69.1	76.8
Hitachi Power Solutions Co., Ltd.	1.4	57.4 (*)	66.5	66.4	56.9
Hitachi Power Semiconductor Device, Ltd.	1.0	50.0	67.7	67.7	59.4
Hitachi Building Systems Co., Ltd.	1.6	29.3 (*)	63.7	65.4	52.2
Hitachi Building Systems Engineering Co., Ltd.	1.4	0.0	69.2	74.3	64.9
Hitachi Building Systems Business Support Co., Ltd.	3.2	100.0 (*)	75.4	78.0	80.5
Hitachi Plant Construction, Ltd.	1.2	53.1 (*)	66.8	72.7	48.2
Hitachi Plant Services Co., Ltd.	0.9	25.0 (*)	63.1	63.7	51.4
Hitachi Plant Mechanics Co., Ltd.	1.6	100.0 (*)(**)	60.3	64.3	54.7
HITACHI INSURANCE SERVICES, LTD.	8.3	0.0	54.0	52.6	61.6
Hokkaido Hitachi Systems, Ltd.	4.3	0.0	70.5	69.1	−

Company name	Ratio of women workers in managerial positions (%) Note 1	Percentage of men workers taking childcare leave (%) Notes 1-5	Wage gap between men and women (%) (Ratio of women's wages to men's wages) Notes 1, 2, 6, 7		
			All employees	Permanent and full-time employees	Part-time or fixed-term employees
Hitachi Management Partner Corp.	11.7	66.7 (*)(**)	67.3	66.0	57.4
Hitachi You and I Co., Ltd.	14.3	–	100.7	104.4	88.2
Hitachi Real Estate Partners, Ltd.	4.2	22.2 (*)	62.9	63.0	27.0

(Notes) 1. Results from FY2022 are listed.

2. If there are no employees required for the calculation, "-" is indicated.
3. The figures are calculated by dividing the number of men workers who took childcare leave, etc. in the current fiscal year by the number of men workers who had a child born in the current fiscal year.
4. For (*), employees taking leave for childcare purposes are included in the numerator.
5. For (**), the rates of childcare leave use by employment management category according to the Act on the Promotion of Women's Active Engagement in Professional Life are as follows. Employees taking leave for childcare purposes are not included in the numerator.

Company name	Percentage of men workers taking childcare leave (%)
Hitachi Plant Mechanics Co., Ltd.	Management / Professional：50.0 Skilled / General office work：－
Hitachi Management Partner Corp.	Management / Professional：33.3 Skilled / General office work：－

6. "All employees" is the sum of "Permanent and full-time employees" and "Part-time or fixed-term employees". The "Permanent and full-time employees" are permanent employees in full-time positions, while the "Part-time or fixed-term employees" are employees who are either part-time or fixed-term employees.
7. There are no gender-based differences in the employee compensation system. The difference in per capita wages for men and women is mainly due to higher proportion of men at higher employee grades, including management positions, and higher proportion of women who work shorter hours. The Company will analyze not only the categories based on the Act on the Promotion of Women's Active Engagement in Professional Life, but also more detailed categories.

For details on the initiatives being pursued by the Company and its consolidated subsidiaries on diversity, equity and inclusion, please see "Section II Business Overview, 2. Sustainability Approach and Initiatives" and the Hitachi Sustainability Report.

II. Business Overview

1. Management Policy, Economic Environment and Challenges Hitachi Group Faces

(1) Management Policy

The Hitachi Group ("Hitachi”) aims to achieve further progress by delivering competitive products and services, thereby creating higher value for customers, following its Mission: to contribute to society through the development of superior, original technology and products. By taking full advantage of the diverse resources of Hitachi, while at the same time reviewing and restructuring businesses, Hitachi aims to bolster its competitiveness and achieve growth in global markets. This process will be consistent with Hitachi’s basic management policy, which is to increase shareholder value by meeting the expectations of customers, shareholders, employees and other stakeholders.

(2) Economic Environment and Challenges Hitachi Group Faces

1) Hitachi Group

In today’s world, the future is increasingly difficult to foresee. A myriad of changes is taking place, including climate change, resource shortages, aging populations and problems of urbanization. Ukraine conflict and the acceleration of global inflation is bringing dramatic changes to society and economies worldwide, with its profound, adverse economic repercussions in each country. On the other hand, innovations to solve increasingly complex social issues are emerging across the globe.

In this economic environment, under the 2024 Mid-term Management Plan set out in April, 2022, Hitachi aims to "support people's quality of life with data and technology that fosters a sustainable society." Establishing “Digital,” “Green” and “Innovation” as the three pillars, Hitachi focuses on the following measures to realize such society through global growth with One Hitachi.

i) Strengthening and Expanding the Data-driven Cycle of Value Co-creation with Customers in Lumada

Hitachi is strengthening the cycle of value co-creation with customers in Lumada by understanding customers' management issues, then designing and implementing solutions to those issues, and implementing operation and maintenance while tackling solutions to the next issues. Riding the growing demand for digital transformation (DX) and green transformation (GX) as a tailwind, Hitachi expands Lumada solutions with every business in Hitachi including energy, transportation and industry.

ii) Aspiring to be an Innovator in Solving Environmental Issues

Through the Social Innovation Business based on collaborative creation with stakeholders, Hitachi works to both solving environmental issues and improving people’s quality of life (QoL).

Initiatives aimed at decarbonization in particular have picked up speed, Hitachi aims to achieve carbon neutrality at its business sites by Fiscal 2030, and across the entire value chain by Fiscal 2050 as its long-term environmental targets in “Hitachi Environmental Innovation 2050”. Hitachi is making progress in reducing CO2 emissions faster than the target and aims to further reducing CO2 emissions reducing energy consumption and the use of renewable energy. Hitachi also helps customers reduce their CO2 emissions by providing solutions driven by Hitachi's efficient, environmentally-conscious products.

iii) Creating Innovation for Growth

Hitachi aims to advance the creation of innovation for global business growth, to expand R&D investments including cutting-edge research, and to also extend corporate venturing investments to collaborate with startup companies. Hitachi will achieve sustainable growth that continues to future generations by exploring the issues faced by society and customers, and devising innovations aimed at solving them.

With this approach, Hitachi seeks business growth while tackling cost restructuring by promoting rationalization that includes site consolidation, thus ensuring its ability to generate cash in a stable fashion even in an uncertain management environment due to soaring resources price and ongoing global inflation. While enhancing the ability to generate cash, Hitachi also makes the investments necessary for growth in a swift but carefully selected manner, providing stable returns to shareholders.

2) 3 focused business areas

The following are the operating environment and issues to be addressed in three focal sectors, Digital Systems & Services, Green Energy & Mobility, and Connective Industries.

(Digital System & Service)

In an uncertain social and economic climate, increasingly complex management issues require the use of digital technologies and services such as AI and IoT. At the same time, environmental challenges and initiatives to address the SDGs are accelerating against a backdrop of serious social issues. In this landscape, the market for DX, which uses digital technology to transform business management and society, continues to grow globally.

In this global DX market, the Digital Systems & Services Sector will leverage the design and digital engineering capabilities of GlobalLogic Inc., acquired in July 2021, to create value by combining Hitachi's OT, IT and products, accelerating solutions for customers and society while driving the growth of the Lumada business in other sectors of Hitachi. Specifically, the sector will accelerate the scaling up of Lumada by continuously providing value by deepening co-creation with customers, the groupwide rollout of high value-added solutions, and the creation of new markets through ecosystem building with customers and partners.

The Digital Systems & Services Sector will also work to strengthen its management base by developing and expanding the digitally minded human resources that will support these initiatives, while providing continuous value as a partner in solving issues faced by society and customers in Japan and overseas, thereby achieving the sustainable growth of the Lumada business.

(Green Energy & Mobility)

Against the backdrop of climate change and heightened geopolitical risks, energy conversion has rapidly advanced, and the market is expanding. Specifically, the electrification of mobility such as buses and rail, and the expansion of the microgrids due to the diversification and decentralization of the power supply mix, new business opportunities are emerging around the world, including the transformation of conventional social infrastructure businesses into services, and GX efforts to realize a carbon neutral society.

The Green Energy & Mobility Sector helps to achieve sustainable social infrastructure with its integration capability and global top-level products range. The sector contributes to improving QoL through green energy and mobility that are friendly to the global environment. More specifically, the Green Energy & Mobility Sector products, services, and solutions leverage the strengths derived from a combination of OT, IT, and products in power grids, renewable energy systems, nuclear power generation systems, railway systems, and other businesses. In the energy business, the sector will expand the delivery of services and solutions that will contribute to the achievement of a carbon neutral society by providing new solutions and promoting clean energy through the fusion of the power grid technologies of Hitachi Energy and digital technologies using Lumada. In the railway systems business, the sector connects traffic networks digitally and accelerates the development of railway operation services and other services utilizing data.

Through these activities, the Green Energy & Mobility Sector helps increase people’s wellbeing, including the delivery of decarbonization, stable energy supply, and delivery of safe, secure, and comfortable railway systems, as the business constituting the core of the creation of green value in the three growth areas in the Mid-term Management Plan 2024. In addition, through Hitachi Energy and the acquisition of Thales' railroad signaling business, the sector will accelerate its transformation into a highly profitable business by leveraging its global installed base.

(Connective Industries)

In addition to the rapidly increasing uncertainties in the social environment, such as rising geopolitical risks and an uptick in climate change-driven natural disasters, the rapid advance of digital technology has transformed people's lifestyles and business activities in major ways, and the demand for new DX/GX is greater than ever. This requires interdisciplinary boundary issue-solving between organizations, companies and industries.

The Connective Industries Sector aims to create sustainable value through digitally connecting highly competitive products, including elevators/escalators, home appliances, measurement and analysis equipment, medical equipment and industrial equipment, and providing them as solutions.

More specifically, the sector will reinforce its frontline engineering capabilities to give shape to objectives and measures based on an analysis of customer business concepts and issues. At the same time, the sector will utilize Lumada to digitally connect the cyberspace and the physical world. This will help solve the "edge" issues that exist between management and workplaces, in the supply chain and between different industries, while evolving and expanding Total Seamless Solutions for total optimization, from the industrial sector to the urban, healthcare and green sectors. The sector will also strengthen its recurring business, which provides value on a continuous and cyclical basis through after-sales service based on data generated by connected products, and through deep insight into new issues that the customers need to solve.

Aiming to achieve global growth particularly in the key North America region, in 2022 the sector acquired Flexware Innovation, Inc., which excels in OT areas such as MES (manufacturing execution system) and SCADA (supervisory control and data acquisition), and Telesis Technologies Inc., which provides marking and engraving systems in the product sector. In addition to these businesses, the sector will accelerate the development of Total Seamless Solutions in North America by strengthening the digital integration of robotics SI from JR Automation, air compressors from Hitachi Global Air Power (formerly Sullair), as well as semiconductor manufacturing and measurement equipment, proton therapy systems and so on.

The sector sets out “Connecting data, value, industry, and society” as its purpose and aims to be “sustainable value creators” through co-creation with customers.

(3) Targets under the mid-term management plan

Under the 2024 Mid-term Management Plan, Hitachi utilizes the following targets to measure performance in terms of meeting its strategic and operational goals. Following the deconsolidation of listed subsidiaries and the planned deconsolidation of Hitachi Astemo, Ltd., the Company changed its target of core free cash flows (cumulative for 3 years) from 1.4 trillion yen to 1.2 trillion yen.

	Fiscal 2024 Target	Reason for selection as indicators
Annual growth rate for revenue (FY 2021-FY 2024 CAGR) (Notes 1, 2)	5-7%	Indicator to measure growth
Adjusted EBITA margin (Note 3)	12%	Indicator to measure profitability
EPS growth rate (FY 2021-FY 2024 CAGR) (Notes 1, 4,5)	10-14%	Indicator to measure profitability and shareholder’s value
Core free cash flows: cumulative for 3 years (Note 6)	1.2 trillion yen	Indicator to measure ability to generate cash
Return on invested capital (ROIC) (Note 7)	10%	Indicator to measure investment efficiency

(Notes) 1. CAGR is presented as compound average growth rate.
2. It is calculated excluding listed subsidiaries.
3. Adjusted EBITA is representing the operating income, adding back the amortization of intangible assets, etc. recognized upon business combinations, and adding or deducting

share of profits (losses) of investments accounted for using the equity method. Adjusted EBITA margin is the ratio calculated by dividing Adjusted EBITA by revenue.

4. EPS is presented as earnings per share.
5. Impact of one-time factors is excluded from net income in FY 2021
6. Core free cash flows are cash flows presented as free cash flows excluding cash flows from M&A and asset sales, etc.
7. ROIC (Return on Invested Capital) = ("NOPAT" + Share of profits (losses) of investments accounted for using the equity method) / "Invested Capital" x 100
NOPAT (Net Operating Profit after Tax) = Adjusted Operating Income x (1 – Tax burden rate)
Invested Capital = Interest-bearing debt + Total equity

In addition to providing the performance targets above, under the 2024 Mid-Term Management Plan, Hitachi will address the following priority items in order to provide value to customers and society through the enhancement of human capital.

2. Sustainability Approach and Initiatives

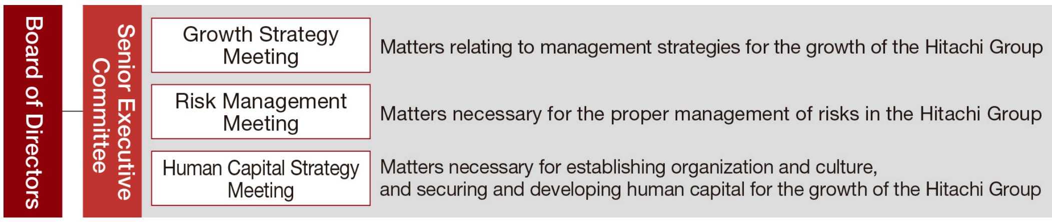
Hitachi practices sustainable management, which positions sustainability as the core of its business strategy, and is working toward realizing a sustainable society through the Social Innovation Business.

The following describes Hitachi's sustainability approach and initiatives.

(1) Governance and Risk Management

In April 2022, Hitachi established the Growth Strategy Meeting, Risk Management Meeting, and Human Resource Strategy Meeting to deliberate on the following important issues within the Senior Executive Committee that discusses important topics in Hitachi's corporate management. The Risk Management Meeting chaired by the President and assisted by the Chief Risk Management Officer (CRMO) as Vice-chairperson deliberates and makes decisions on important company-wide risks. The Meeting aims to establish a solid management base linked to growth strategies through a unified and horizontal understanding of risks. In addition, the Human Capital Strategy Meeting is an advisory body to the President dealing with decisions related to the organization and human capital, and is convened as a forum to discuss matters needed to foster an organization and culture aimed at the growth of the Hitachi Group, and to secure and cultivate human resources.

After discussions at these meeting bodies, important sustainability issues are deliberated on by the Senior Executive Committee to make decisions, and are submitted to the Board of Directors for further discussions as necessary.



We are also working to enhance our sustainability management through activities such as meetings on overall sustainability issues consisting of the Chief Sustainability Officer and the staff with sustainability responsibilities at business units (BUs), principal Group companies and regional headquarters.

Individual sustainability themes such as carbon neutrality, circular economy, human rights due diligence (HRDD), diversity, equity, and inclusion (DEI), occupational safety and health, supply chains, quality assurance, etc. are promoted by meeting bodies consisting of responsible staff at BUs and principal Group companies as part of cross-organizational activities in the Hitachi Group, who discuss measures and share information across the entire Group.

In addition, the levels of achievement of quantitative or qualitative sustainability targets are used as the appraisal criteria for compensation paid to the Executive Officers.

(2) Initiatives to Address Key Issues

In the 2024 Medium-term Management Plan, we declared our new goal of "supporting people's quality of life with data and technology that fosters a sustainable society."

Hitachi carries out sustainability activities with the aim of solving social challenges for the realization of a future that achieves both the protection of the earth and a society where every individual is comfortable and active.

Supporting people's quality of life with data and technology that foster a sustainable society

The following describes Hitachi's activities addressing carbon neutrality and climate change, and human capital, which are important sustainability issues.

i. Activities addressing carbon neutrality and climate change (Disclosure based on TCFD)

In June 2018, Hitachi announced its endorsement of the recommendations by the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures (TCFD), and disclosed the key climate-related financial information in line with the TCFD's recommendations in the Hitachi Sustainability Report.

This section is an extract.

(a) Governance

Governance related to climate change is implemented based on the governance and risk management described in the previous section.

Hitachi sees climate change and other environmental issues as important management issues.

Hitachi Group's key component issues regarding sustainability strategies including climate change countermeasures are deliberated on by the Senior Executive Committee to make decisions, and are submitted to the Board of Directors for further discussions as necessary. Hitachi Environmental Innovation 2050, representing the Group's long-term environmental targets including its CO2 emissions reduction targets, was developed and announced after being reported to the Board of Directors both when it was establishment and when it was revised.

(b) Strategy

Hitachi established its Environmental Vision in fiscal 2016. Based on this, Hitachi Environmental Innovation 2050, including Hitachi's long-term environmental targets, was developed considering the RCP 2.6 scenario and the RCP 8.5 scenario in the IPCC Fifth Assessment Report and using globally necessary CO2 emissions reduction as a reference, to contribute to the realization of a carbon-neutral society as it is demanded that global companies do. To help limit the global temperature rise to 1.5°C as recommended in the subsequent IPCC Global Warming of 1.5°C report, we revised our target to achieve carbon neutrality at Hitachi factories and offices by fiscal 2030 and in our value chain by fiscal 2050. We set higher goals and strive to achieve the goals in order to contribute to the achievement of a carbon-free society at the global level.

(Note) RCP 2.6 scenario: a Representative Concentration Pathway (RCP) scenario under which, at the end of the 21st century, the increase in global temperatures from preindustrial levels is kept below 2°C.

RCP 8.5 scenario: the one that assumes that emissions will continue to rise resulting in an approximately 4°C rise in global temperatures compared to preindustrial levels.

<u>Climate-related Risks (Hitachi Group)</u>

Risks associated with climate change are categorized into the risk of shifting to a carbon-free society (applying mostly to the 1.5°C scenario) and the risk related to the physical impact of climate change (applying to the 4°C scenario).

(i) Risks related to the transition to a decarbonized economy (applying mostly to the 1.5°C scenario)

The risk of shifting to a carbon-free society is assumed to include a carbon tax, taxes on fuel and energy expenses, an increase in business cost due to introduction of emissions trading, etc., loss of opportunities to sell products and services due to delayed technological development, etc.

In particular, the risk affects businesses unable to survive in a carbon-free society if the current condition is maintained, which corresponds to the risk of becoming unable to use fossil combustion. Because many of Hitachi's current businesses use electricity as an energy source, very few serious risks caused by shift to a carbon-free society were found.

The risk of delays in product development for a carbon-free society, together with opportunity, are two sides of the same coin, and can be avoided in operating businesses that contribute to a carbon-free society.

(ii) Risks related to the physical impacts of climate change (applying to the 4°C scenario)

The physical risk associated with climate change may include meteorological disasters likely caused by climate change, which are, for instance, intensified typhoons, flooding, drought, etc. (acute risks), and sea level rise, prolonged heat wave, etc. (chronic risks)

Our measure to avoid such risks is to consider location conditions and placement of facilities in view of damage caused by flooding when building a new factory.

Identification and Assessment of Climate-related Opportunities (the Hitachi Group)

The Hitachi Group may find numerous opportunities associated with climate change.

Both the carbon neutrality of business establishments and the reduction of CO2 emissions from the use of products and services sold, which are a large part of the emissions from entire value chains, are important for the achievement of the long-term environmental targets and the CO2 emission reduction target set in the 2024 Medium-term Management Plan. The development and provision of products and services that contribute to the reduction of CO2 emissions through energy conservation, etc. is a response to customer needs and contributes to the decarbonization of society. There are also opportunities to expand businesses that contribute to decarbonization, such as the spread of carbon-free solutions and services through collaborative creation with customers. GX (green transformation) initiatives are the basis of the Social Innovation Business operated as part of Hitachi's management strategies, which creates significant opportunities for short-, medium- and long-term businesses.

The Hitachi Group's risks and opportunities associated with climate change

As a result of considerations about these risks and opportunities, we did not discover any serious risks related to climate change at Hitachi at the current stage.

In either scenario of 1.5°C or 4°C, we think that Hitachi has high resilience in a shift to a carbon-free society from a medium- to long-term perspective by focusing on market trends and operating the business flexibly and strategically.

(c) Risk Management

Hitachi reviews and assesses climate change-related risks by assessing the environmental impact for each BU and Group company. The results of these evaluations are summarized by the Sustainability Promotion Division, after which the Senior Executive Committee. When there are risks and opportunities perceived as particular important, these will be discussed and decided at the Senior Executive Committee, and if necessary, deliberated to the Board of Directors.

(d) Indicators and Targets

In its long-term environmental targets, Hitachi Environmental Innovation 2050, Hitachi has set medium-term targets: achieve carbon neutrality by fiscal 2030 at Hitachi's business sites (factories and offices) and long-term targets: achieve carbon neutrality in the value chain by fiscal 2050.

Furthermore, to achieve its long-term environmental targets, Hitachi has formulated and is managing the progress of its Environmental Action Plan, which sets indicators and targets in line with the 3-year period of its medium-term management plan.

Among the indicators related to climate change mitigation and adaptation, the targets and results related to the reduction rate of total CO2 emissions in the factories and offices are as follows.

Indicator	Target			FY2022 (Result)
	FY2030 (medium-term)	FY2024 (short-term)	FY2022	
Ratio of reducing total CO2 emissions in the factories and offices (in comparison to fiscal 2010)	100% reduction (Carbon neutrality)	50% reduction	32% reduction	40% reduction

(Note) They are targets of the 2024 Environmental Action Plan. Details will be published in the Sustainability Report 2023.

CO2 emissions of the Hitachi Group (fiscal 2022)

Scope1 459kt-CO2
Scope2 1,079kt-CO2

* Scope 1: Direct emissions from fuel use within the Hitachi Group
  Scope 2: Indirect emissions associated with use of electricity and heat purchased by the Hitachi Group
* Both Scopes 1 and 2 cover Category A business sites which have a large environmental impact and automotive parts companies which have a large impact within the Hitachi Group. Based on the Environmental Management Classification Criteria established by Hitachi, we manage all Hitachi Group business sites classified into three categories: A, B, and C. In addition, the Companies belonging to the Hitachi Group as of March 31, 2023 are included in the calculation.

ii. Activities related to human capital and diversity

(a) Strategy

Hitachi believes that human capital, i.e., people are the source of value and aims to provide customers and society with value and contribute to the creation of sustainable society by harnessing the power of employees around the world.

Various human resources are carrying out operations proactively as one team across the boundaries of countries, regions and business entities. We seek organizations and human resources capable of adapting swiftly to an ever-changing world. To this end, we are developing human resources and improving our internal environment based on the following policies.

Promotion of diversity, equity, and inclusion (DEI)

Hitachi is committed to implementing DEI as business driver to achieve sustainable growth.

Hitachi's DEI strategy respects and values all differences including background, age, gender, sexuality, family status, disability, race, nationality, ethnicity and religion. Hitachi commits towards all dimensions of diversity, however we identified three global DEI themes that are common in every region and business.

Our global DEI themes:

1. Gender-balance: More women across the business, especially within leadership roles
2. Cultural diversity: A team which reflects the global nature of our company
3. Multi-generation: Colleagues are recognized based on competence, not on age

Initiatives related to gender balance

At Hitachi, to create a workplace environment that is diverse, equitable and inclusive. In addition to pursuing DEI strategies on a global scale, we define and drive initiatives aligned to local needs and business strategies for each region and business.

In Japan, we need to accelerate initiatives related to gender balance, which is one of our global DEI themes, and we are implementing the following initiatives including the development of female leaders and company systems to realize a work-life balance regardless of gender.

<Examples of Initiatives>

- Career seminar for junior female employees, career support for women through mentoring programs, career support through pre-maternity leave and return to work support seminars
- Future-father/future-mother seminars (newly established in FY2022) to encourage understanding of childcare and childcare leave systems for employees including their partners are expected to give birth, promotion of paternity leave through e-learning on balancing work and childcare for managers
- Expansion and enhancement of maternity/paternity leave systems to support for child and family care other than law requirement, support in finding nursery service in collaboration with external dedicated agencies.

Global human resource management

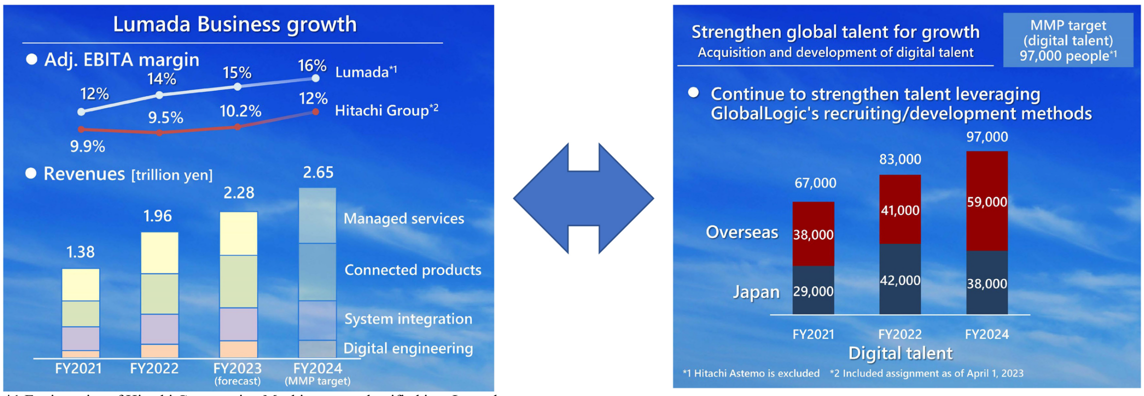
To promote the Social Innovation Business, it is necessary to explore the issues faced by customers and society and pursue collaborative creation with customers on new solutions that have not previously existed. Under the 2024 Human Resources Strategy formulated based on the 2024 Mid-term Management Plan, we declared our vision to become an employer of choice in the global market by developing an organization in which human resources oriented toward social contribution gather and thrive. To realize that vision, we defined a Foundation based upon three strategic pillars: People, Mindset and Organization.

Mission	Contribute to business through diverse talents, equitable opportunity, and inclusive organization.
Vision	● We lead transformation into "Employer of choice" in global market - Become a vibrant "Talent Destination" that contributes to society ● Become "The World's #1 HR pioneers" who cope with changes and contribute to business

	Pillars	Key Initiatives
Three Strategic Pillars	**People** (Talent) Maximize talent (human capital and individual capabilities) engagement for growth	1. Acquire, retain, develop and allocate global leaders and digital talent to maximize their potential 2. Place the right people in the right places (matching) at right time in the Hitachi Group 3. Enhance employee wellbeing and engagement
	Mindset (Culture) Fostering a mindset and culture for growth	4. Embody Hitachi's founding spirit and cultivate global Hitachi culture to realize sustainable growth 5. Promote growth mindset (ongoing, autonomous skills development, including upskilling and reskilling) 6. Promote innovations and transformations: Ensure psychological safety and encourage the taking on of challenges
	Organization Promoting collaborations between divisions for growth and the realization of global productivity and efficiency	7. Break down organizational silos and collaborate to enhance customer value 8. Create new workstyles 9. Utilize digital technologies to transform HR with the provision of higher-quality HR services and solutions
Foundation		• Ensure physical and mental wellbeing and safety • Strengthen exhaustive risk management (compliance, prevent incidents and accidents, respond to disasters, etc.)

-Development and retention of human resources skilled in digital technologies

Aiming to accelerate the Social Innovation Business with the use of digital technology and achieve expansion of the Lumada business, a growth driver for Hitachi, we are focusing on securing and cultivating the human resources (Digital talents) who will drive digital transformation (DX). In addition to acquiring global human resources such as personnel at GlobalLogic, a leading company in digital engineering services, we are also cultivating human resources internally with Hitachi's own DX training system and development programs based on practical experience, thus accelerating the reinforcement of the digital talents needed for business growth.



*1 Equity gains of Hitachi Construction Machinery are classified into Lumada, those of Hitachi Astemo are classified into Non Lumada

*2 Revenues and profits of listed subsidiaries and Hitachi Astemo are subtracted, and equity in earnings of affiliates are added to results and plans of FY2021-FY2024

- Improving employee engagement

Based on the belief that the wellbeing of employees is critical to Hitachi's sustainable growth, as part of our human capital management we have set improving employee engagement as a KPI. We monitor employee engagement annually through Hitachi Insights, a global employee survey, and work to plan and promote human capital measures aimed at making relevant improvements. Specifically, senior management and managers at each workplace share the survey results for their organizations with workplace members to identify organizational issues. Actions are then planned and implemented as countermeasures through the PDCA cycle, leading to improvements. We will continue to utilize the employee survey to ensure more appropriate management worldwide.

- Management-level Leadership Development

Hitachi takes a medium- to long-term approach to developing management-level leadership that will drive transformation with top management and the Nominating Committee playing a central role through the Global Leadership Development Program (GLD).

When developing candidates for appointment in the next and subsequent term to executive positions including CEO and division heads, several hundred candidates are selected from the Hitachi Group's human capital around the world and given both on-the-job training (OJT), including tough assignments, and off-the-job training (Off-JT) such as external training and coaching.

Additionally, through programs including GT+, a talent pool of candidates for management leadership, and Future 50, a selection of young and promising employees, we offer intensive training through assignments that include management positions and the provision of opportunities to discuss matters directly with outside directors.

- Putting the right people in the right places with an integrated human capital platform

Hitachi has been building a global integrated human capital management platform to secure, assign and develop the best human resources worldwide. Through the platform, up-to-date human resource information about employees, such as their skills and career aspirations, is shared via a cloud system. The platform enables the centralized management of various processes including searching for talent and collecting information globally, and is utilized for team management, performance management, development planning and career development. The platform is gradually being expanded globally.

- Fostering a global Hitachi culture

Hitachi has welcomed approximately 100,000 new employees through several large-scale M&As in recent years. We share Hitachi's Mission and Values (Founding Spirit) with these new colleagues, and are working to foster a global Hitachi culture that achieves growth and innovation by combining the strengths and advantages of employees. In particular, senior management (the President, the Vice Presidents, heads of BUs and divisions, presidents of consolidated subsidiaries) continues to hold town hall meetings with employees to deepen mutual understanding through direct dialogue. In fiscal 2022, 277 town hall meetings in total were held. Toward achieving the 2024 Mid-term Management Plan, each division will play a central role in driving business strategies.

- Conversion to job-based human resource management in Japan

Hitachi is accelerating the shift to job-based human resource management in Japan. This involves clarifying the duties and necessary skills and experience, and assigning human resources based on their desires and abilities to perform the required duties. By assigning the right people to the right jobs according to their personal abilities and motivations, we aim to maximize the performance of individuals and organizations, improve engagement, and develop organizations and people that generate innovations. Specifically, we have adopted a talent review system to consider assignments and training based on each employee's aptitude and career aspirations, and have also introduced formal job descriptions. Additionally, to support proactive career building, since fiscal 2022 we have been focusing our efforts on both the development of systems and mechanisms and transforming thinking and behavior, as illustrated with the rollout of new career training and the introduction of a learning experience platform (LXP).

<u>Ensuring mental and physical health and safety</u>

"Health and Safety Always Comes First." is the basic principle underlining the Hitachi Group Health and Safety Policy which is shared by all the Hitachi Group companies around the world. Employees work together with all related companies, including contractors and procurement partners, to develop a safe, secure, comfortable and healthy workplace for everyone involved in our business activities.

Aiming to develop safe workplaces with zero accidents, Hitachi has developed and introduced occupational health and safety management systems best suited to its business, and conducts regular risk assessments and audits, while also working to roll out occupational health and safety training programs and other initiatives worldwide.

(b) Indicators and Targets

Hitachi's main indicators, targets and results in fiscal 2022 of the activities related to human capital and diversity are shown in the table below.

In terms of the "Ratio of non-Japanese in executive positions" and the "Positive response rate to questions about employee engagement in employee surveys", we were able to achieve our targets ahead of schedule in fiscal 2022. We will continue to strive for further improvement.

	Indicators	Targets	FY2022 Results
i	Ratio of female and non-Japanese in executive positions (Note 1)	15% each by fiscal 2024	Ratio of female: 11% Ratio of non-Japanese: 20%
ii	Number of digital technology human resources	97,000 by fiscal 2024 (Note 2)	83,000
iii	Positive response rate to questions about employee engagement in employee surveys	68% by fiscal 2024	69.5%
iv	Number of fatal accidents	0 case per year	5 case (s)
v	Total recordable injury frequency rate (TRIFR) (Note 3)	Half rate of fiscal 2021 by fiscal 2024 (Note 4)	0.26

(Notes) 1. Targets and results are only for the Company.
2. Excluding Hitachi Astemo
3. Casualties per 200,000 working hours
4. TRIFR in fiscal 2021: 0.27

3. Risk Factors

(1) About Risk Management

The Hitachi Group ("Hitachi") aims to create new revenue opportunities while controlling risk. To do this, Hitachi maintains a clear understanding and analysis of the business environment changing day by day, taking into account social issues as well as its competitive advantages and management resources and conducting risk management with an eye toward the many risks Hitachi should be prepared for as well as opportunities for growth.

With respect to such various risks, each department strives to appropriately grasp and respond to risks and opportunities, and reflects them in reporting to management executives and management strategies.

In April 2022, the Company established Risk Management Meeting (Chairman: President, Vice-chairman: CRMO) as one of the new Executive Committees, which deliberates on important matters in Hitachi's business management. By centrally and cross-sectionally identifying risks, Hitachi aims to build a solid management base in conjunction with its growth strategy.

(2) Risk Factors

Hitachi conducts business on a global scale across a broad range of business areas and utilize sophisticated, specialized technologies to carry out its operations. Therefore, Hitachi's business activities are affected by a wide range of factors. Investment in Hitachi's securities also involves risks. The factors and measures taken for each risk factor are as follows.

The following risks and countermeasures are based on assumptions Hitachi considers reasonable as of the date of submission of this report. The countermeasures below will not necessarily eliminate the effects of the risks and may not effectively mitigate the effects.

1) Risks Related to Economy

Economic Trends

Hitachi's business is influenced by the global economy, economic and geopolitical conditions in certain regions or countries. Downward economic trends in regions, countries and Japan causes decline in consumer spending or capital investment. The rising interstate conflicts and tensions, including the situation in Ukraine, could cause restriction or cessation of economic activity in particular regions and subsequently, partially restrict its products, systems and services or reduced demand for them, which could adversely affect its business, financial condition, and results of operations.

In response to this risk, Hitachi combines the many different aspects of the Social Innovation Business in a range of business fields and regions, and it aims to take prompt countermeasures against geopolitical changes through risk evaluation, etc.

Currency Exchange Rates Fluctuations

Since Hitachi conducts business in many foreign countries, its business activities are exposed to risks from fluctuations in foreign currency exchange rates. Hitachi sells products, provides services and purchases raw materials and components in local currencies. Therefore, fluctuations in foreign currency exchange rates may result in lower revenues or higher costs in yen to Hitachi and thus affect its results of operations, which are reported in Japanese yen. Hitachi's price competitiveness may decline if it seeks to increase prices in local currencies to compensate for lower revenues or to increase prices in yen to absorb the higher cost, and thus its results of precautions may be harmed. In addition, since Hitachi holds assets and liabilities denominated in foreign currencies, fluctuations in foreign currency exchange rates may adversely affect its financial condition presented in Japanese yen through foreign currency translation.

The table below shows the foreign exchange sensitivity for the fiscal year ending March 31, 2024 (impact of exchange rate fluctuation by one-yen fluctuation from the forecasted rate) estimated as of March 31, 2023.

Currency	Forecast	Foreign exchange sensitivity (billions of yen)	
		Revenues	Adjusted EBITA
U.S. dollar	130 yen／U.S. dollar	13.5	1.5
Euro	140 yen／Euro	7.0	0.5

To mitigate the risk, Hitachi hedges the foreign exchange risks using forward exchange contracts and currency swap agreements and promotes its strategy of selling locally produced goods and services.

Access to Liquidity and Long-term Financing

Hitachi's primary sources of funds are cash flows from operations, borrowings from banks and other institutional lenders, and funding from capital markets, such as offerings of commercial paper and other debt securities, as well as equity securities. Hitachi needs liquid funds to pay its operating expenses, the principal of and interest on its debt and dividends on its capital stock. Hitachi also needs long-term financing to fund, among other things, capital expenditures and research and development expenses. Hitachi currently believes its cash flows from operations, borrowings from banks and other institutional lenders and funding from the capital markets can provide sufficient funding for its operations and other liquidity needs. However, a global economic downturn could adversely affect its cash flows from operations, business results and financial condition and may adversely affect its credit ratings. If Hitachi's ratings are downgraded, its ability to obtain additional financing on terms it considers favorable may be negatively affected.

Hitachi's reliance on banks and institutional lenders exposes itself to risks related to rising interest rates, and Hitachi may need to increase its reliance on external sources of funding. An increased reliance on debt instruments may adversely affect Hitachi's credit ratings, which might affect its ability to successfully obtain additional financing on terms it considers favorable. The inability to successfully obtain such financing may increase Hitachi's financing costs, and therefore could adversely affect its financial condition and results of operations. To reduce risks related to rising interest rates, Hitachi enters into interest rate swap agreements.

Furthermore, failure of one or more of Hitachi's major lenders or a decision by one or more of them to change the terms and conditions of their loans or to stop lending to Hitachi could have an adverse effect on its access to funding.

Marketable Securities Risks

Hitachi invests in securities to maintain or promote its business or other relationships with other companies. These securities are exposed to the risk of declining stock prices. Such declines may require that Hitachi writes down equity securities that it holds. Further, contractual and other obligations may require Hitachi to maintain its holdings of these securities despite declining share prices and this may lead to material losses.

The table below shows the number of stock names and balance sheet amount of the stocks the Company owned at the end of the fiscal year ended March 31, 2023.

	Number of stock names (stock names)	Total amount recorded in the balance sheet (millions of yen)
Unlisted stocks	136	21,768
Others	41	213,017

To deal with those risks, Hitachi, under the basic policy, will not acquire and hold other companies' shares except for cases where acquiring or holding such shares is necessary in terms of transactions or business relationship. The Company also promotes reducing shares that it already owns unless significance of holding shares and economic rationales of holding are confirmed. Policy for shareholding and examination of the reasonableness of holding Equity securities held for purposes other than pure investment are described in "IV Information on the Company - 4. Corporate Governance, etc. - (5) Information on shareholdings."

2) Risks related to Supply Chain

Material and Component Procurement

Hitachi's manufacturing operations relies on procurement partners for supplies of materials, parts, components and services of adequate quality and quantity, delivered in a timely manner at a reasonable price. Procurement partners may not have sufficient capacity to meet all of Hitachi's needs during periods of excess demand. Shortages of materials, parts, components and services may cause a sharp rise in their prices. In addition, prices of certain raw materials, parts and components which Hitachi purchases in local currencies, principally the U.S. dollar and the euro, could be adversely affected by fluctuations in foreign currency exchange rates. Increases in the market price of petroleum and other materials, such as copper, steel, synthetic resins, rare metals and rare-earth minerals, can increase Hitachi's production costs and may adversely affect its results of operations. Conversely, decreases in commodity prices, such as for raw materials, parts and components, can result in write-downs of inventory. If natural disasters disrupt the operations of procurement partners and damage supply chains, it may adversely affect Hitachi's production. If there are violations of laws or regulations at procurement partners, including infringements of rights of workers such as child labor and forced labor, Hitachi's reputation as an entity that places orders may decline and the stable procurement of raw materials or parts from the procurement partners may be hindered, which may adversely affect Hitachi's business, financial condition and results of operations.

To deal with those risks, Hitachi establishes close relationships with procurement partners, appropriately react to changes in demand in different regions, promoting a strategy of selling locally produced goods and services, formulates a business continuity plan (BCP) at domestic bases and major bases overseas to strengthen the abilities to deal with business interruption risk and use and strengthen Hitachi's procurement function. To prevent violations of laws and regulations at procurement partners, Hitachi carries out inspections and audits using questionnaires and initiatives to understand.

Credit Risks Arising from Business Transactions

Hitachi makes transactions with diverse customers and procurement partners in Japan and other countries. Hitachi sells its products to certain customers on credit and pay in advance for products or services provided by certain procurement partners. Credit deterioration or failure of one or more of them could adversely affect Hitachi's financial condition, results of operations and cash flows.

To deal with those risks, Hitachi takes measures to manage counterparty credit risk, such as regularly monitoring credit conditions of such customers or procurement partners and setting a limit on transaction amount according to their credit conditions.

3) Risks related to Geopolitics in Overseas Business

Overseas Business Activities

Hitachi seeks to expand its business in overseas markets as part of its business strategy. Through such overseas expansion, Hitachi aims to increase its revenues, reduce its costs and improve profitability. In addition, various factors in foreign countries where Hitachi operates may adversely affect its overseas business activities. These factors include:

- changes in regulations relating to investments, exports, tariffs, antitrust, anti-bribery, consumer and business taxation, intellectual property, foreign trade and exchange controls, human rights, employment and labor, environment, resources and energy;
- differences in commercial and business customs such as terms and conditions of transactions;
- changes in labor relations and practices;
- deterioration of public sentiment against Japan and local residents' sentiment against Hitachi, and criticism and campaigns by various organizations;
- expansion and frequent occurrence of interstate/domestic conflicts and the trend of Ukraine situation;
- changes in security and foreign policies of countries;
- tightening economic security policies in countries; and
- other political and social factors and geopolitical risk as well as economic trends and currency exchange rate fluctuations.

Because of these factors, there can be no assurance that Hitachi will be able to achieve the aims of its overseas growth strategy. This may adversely affect Hitachi's business growth prospects and results of operations.

To deal with those risks, Hitachi constantly determines global political and economic conditions and analyze their effects on its businesses. Based on the analysis, Hitachi implements group-wide measures, including the transfer of overseas risk assets.

4) Risks related to Environment

Tightening of Regulations to Prevent Climate Change (Risks Associated with the Transition to a Carbon-

neutral Society)

An increase in business costs due to carbon taxes, taxes on fuel and energy consumption and/or the introduction of carbon emission rights trading, etc., loss of selling opportunities due to delays in the development of technology for products and services, and investors and society's disapproval of Hitachi's stance on addressing the issue of climate change may adversely affect Hitachi's business activities, management performance and financial condition.

In response to these risks, Hitachi has established its Hitachi Environmental Innovation 2050 long-term environmental targets, has been implementing an array of activities to achieve carbon neutrality. Hitachi will accelerate its efforts to achieve its targets. Divisions are aiming to achieve carbon neutrality for own operations by fiscal 2030. They promote the introduction of energy-efficient equipment and power generation using renewable energy through the introduction of Hitachi Internal Carbon Pricing, continue to streamline production and transportation, and promote the use of electric power from non-fossil energy, etc. to prevent or reduce an increase in carbon taxes and other business costs and to reduce the risk of negative assessment. Hitachi is targeting carbon neutrality in the value chain by fiscal 2050 and aiming to develop and increase sales of innovative products and services that will lead to the reduction of CO_2 emissions and develop energy-efficient products that will help reduce energy consumption.

5) Risk related to Human Capital

Dependence on Specially Skilled Personnel

To remain competitive in Hitachi, Hitachi must continue to recruit and retain the talent it needs to execute its business. In particular, Hitachi is currently seeking talent that can operate globally, talent that can capture needs and provide optimal solution services close to customers, and digital talent that will drive DX. However, excellent talent is limited, and competition to recruit and retain such talent is intensifying. There can be no assurance that Hitachi will be able to recruit new talent or retain such talent.

To deal with these risks, Hitachi is working to secure the talent it needs in a timely manner, both domestically and globally, by promoting DEI (diversity, equity and inclusion), promoting the creation of a pleasant workplace and enhancing engagement, securing outstanding global talent through a global human resources system, and securing and developing outstanding talent through the use of a global human resources platform and through the implementation of in-house educational programs.

6) Risk related to Technology

Dependence on Information Systems

With the increased importance of information systems to Hitachi's operating activities, disruptions in such systems due to computer viruses and other factors could have a negative impact on its operating activities, results of operations and financial condition. The expansion of remote work is at risk of generating new security risks, including information leakage.

To deal with those risks, Hitachi continuously promotes cybersecurity measures and strictly prescribe and implement rules, products and procedures that apply to remote work. However, they may not be effective if unprecedented cyberattacks occur, or there are any vulnerabilities in systems that are not managed by Hitachi.

Rapid Technological Innovation

New technologies are rapidly emerging in the segments in which Hitachi conducts business, with the pace of technological innovation. The development of new and advanced technologies, the continuous, timely and cost-effective incorporation of such technologies into products, systems and services and the effective marketing of such products, etc. are indispensable to remaining competitive. For instance, it is important to respond to technological innovations, including automation and electrification using technologies such as digital and robots and environmentally friendly technologies such as decarbonization and resource circulation. While introducing such products, etc. requires significant resource commitment to research and development, there can be no assurance that Hitachi's research and development will be successful. Failure in Hitachi's endeavors to develop and incorporate such advanced technologies into products and services in a timely manner, or to achieve market acceptance for such products, etc., may negatively affect Hitachi's business, financial condition and results of operations.

To mitigate those risks, Hitachi promotes open innovation involving industry, government and academia, recruit and cultivate digitally savvy human resources and strengthens grasp of client needs through collaborative creation process by Lumada. Through those activities, Hitachi works to create an innovation ecosystem.

7) Risks related to Pandemic and Natural disasters

COVID-19

Although Hitachi expects progress in normalization from the COVID-19 epidemic and are moving to a new phase based on the assumption of coexistence, depending on future conditions, the financial condition and business results may be adversely affected by soaring raw material prices due to supply chain disruptions, semiconductor shortages, and inflation due to supply constraints.

In response to such risks, Hitachi is taking steps to increase stable earnings by using Lumada to strengthen its service-based digital business, to continue production activities on the premise of ensuring safety, to enhance a diverse range of work styles by using remote work and other means to enhance the digital environment, to strengthen cash management and the supply chain, and to reduce costs by reforming the business structure.

Physical Impacts by Significant Disasters, Climate Change and Similar Events

Hitachi has many facilities, including its R&D facilities, manufacturing facilities and its headquarters in Japan. Historically, Japan has experienced numerous natural disasters such as earthquakes, tsunamis and typhoons. Natural disasters in the future may have a significantly adverse effect on an array of Hitachi's corporate activities, from production to sales. Hitachi also has overseas facilities in Asia, the U.S. and Europe, which are also subject to similar natural disasters. Natural disasters in each of areas may cause damage on certain of Hitachi's plants and offices and the operations of its suppliers and customers. Due to climate change, large-scale natural disasters, including drought, rising sea levels, long heat waves and floods, may become more serious. Such significant natural disasters may directly damage or destroy Hitachi's facilities, which could disrupt its operations, delay new production and shipments of existing inventory or result in costly repairs, replacements or other costs, all of which would result in significant losses. Furthermore, even if such significant natural disasters do not directly affect Hitachi's facilities, they could result in disruptions in distribution channels or supply chains. The spread of infectious diseases and geopolitical and social instability, such as terrorism, crime, civil disturbance and conflict, etc., may also disrupt Hitachi's operations, render its employees unable to work, reduce consumer demand for its products or disrupt its supply and distribution channels, etc. In addition, Hitachi is not insured against all potential losses, and even losses that insurance covers may not be fully covered and may be subject to challenges of or delays in payment, etc. Direct and indirect disruption of Hitachi's operations as a result of natural disasters or other events could have a negative impact on its operating activities, results of operations and financial condition.

To deal with those risks, Hitachi works to strengthen its ability to deal with business interruption risk by formulating BCPs. When Hitachi builds a new plant, it determines the layout, taking into consideration possible floods.

8) Risks related to the others about the whole of company management

Estimates, Fluctuations in Cost and Cancellation of Long-term Projects

Hitachi enters into a substantial number of long-term projects, particularly in connection with the construction of infrastructure systems. When the outcome of a construction can be estimated reliably, Hitachi recognizes revenue and expenses by reference to the stage of completion of the contract activity. In this case, revenue is recognized mainly based on the progress of the project mostly based on the cost incurred relative to the estimated total cost. When the outcome of a construction cannot be estimated reliably, Hitachi recognizes revenue only to the extent of that contract costs incurred will be recoverable, and recognizes contract costs as expenses in the period in which such costs are incurred. The revenue recognition for such long-term projects requires Hitachi to make significant assumptions about the estimated total cost, estimated total selling price, contract risks and other factors. However, these estimates are subject to change. Hitachi regularly reviews these estimates and adjusts them as it deems necessary. While Hitachi charges any anticipated losses on fixed price contracts to operations when it is able to estimate such losses, these estimates are subject to change. Fluctuations in costs can occur for a variety of reasons, many of which are beyond Hitachi’s control. In addition, Hitachi or its counterparties may cancel these contracts. These factors would require Hitachi to revise its initial assumptions regarding a particular contract, and may adversely affect its business, financial condition and results of operations.

To deal with those risks, Hitachi aims to identify and manage risks before the execution of contracts, and its operating division and finance division continue to manage and share identified risks after the execution of contracts for accurate estimates in a timely manner.

Intense Competition

Hitachi is subject to intense competition in many of the markets in which it operates, and this may adversely affect its results of operations. Hitachi competes with diverse competitors ranging from huge global corporations to specialized companies including startups. Advanced products, systems and services are becoming commoditized. The production and development of them and the provision of services in low-cost regions, and use of the cloud and automation are expanding. As a result, price competition is intensifying. To succeed in this competitive environment, Hitachi believes that its products, etc. must be price competitive. The commoditization of such products, etc. affects Hitachi’s ability to set prices for its products, etc. If Hitachi is unable to charge comparable prices to those of its competitors, its competitiveness and overall profitability may be harmed. On the other hand, charging comparable prices to those of Hitachi’s competitors may require it to sell products and services at a loss. Hitachi’s products, etc. must also be competitive in terms of engineering sophistication, quality and brand value. Hitachi must introduce its products and services to the markets in a timely manner. There can be no assurance that the products, etc. that Hitachi offers will be competitive. The failure of such products, etc. to be competitive may negatively affect Hitachi’s business, financial condition and results of operations.

To deal with those risks, Hitachi promotes enhancing innovation through research and development, expansion of Lumada business, collaborative creation with customers and strives to produce high value-added products.

Sharp Decline in Demand

Oversupply in the markets in which Hitachi competes may lead to declines in sales prices, revenues and profitability. In addition, adjustment to demand may force Hitachi to dispose of excess supply or obsolete equipment or reduce production, which can result in losses. For example, the imbalance between supply and demand in information equipment, elevators, semiconductor and automotive equipment industries and a resultant deterioration in market conditions could negatively affect Hitachi’s businesses, financial condition and results of operations.

To deal with those risks, Hitachi works to strengthen the competitiveness of its products, etc. and controls the supply and inventory of products, etc. based on demand forecasts.

Overhaul of Cost Structure

Hitachi implements “the Hitachi Smart Transformation Project,” which promotes cost reductions in all activities of its value chain by thoroughly overhauling its cost structure across the group. Hitachi seeks to stabilize earnings and strengthen cash flows by improving its management efficiency through the Project. The Project may be less successful than Hitachi currently anticipates. Even if the Project is successful, there is no assurance that Hitachi will be able to sustain or increase profitability.

Strategy to Strengthen the Social Innovation Business

Hitachi’s business strategy seeks to build its business portfolio and achieve a business structure with high growth potential and profitability mainly by strengthening the Social Innovation Business, which supplies advanced social infrastructure supported by information and communication technology. Hitachi plans to devote significant resources including capital expenditures and R&Ds and are making investments in mergers and acquisitions and in new projects to strengthen the Social Innovation Business. In addition, Hitachi attempts to design suitable organizational structure for promoting the Social Innovation Business more effectively in response to market changes. To implement this strategy, Hitachi has incurred and may continue to incur considerable expenses. Hitachi’s efforts to implement this strategy may be unsuccessful or less successful than it currently anticipates. Even if these efforts are successful, there is no assurance that Hitachi will be able to sustain or increase profitability.

To deal with those risks, Hitachi works to manage implementation in a phase gate process in each business unit (BU) and analyze and discuss market trends, trends at competitors, technological trends and potential risks, among other issues, from a range of perspectives, in the Investment Strategy Committee, Senior Executive Committee, the Board of Directors and Audit Committee.

Acquisitions, Joint Ventures and Strategic Alliances

In every operating sector, Hitachi depends to some degree on acquisitions of other companies, joint ventures and strategic alliances with outside partners to design and develop key new technologies and products, to strengthen competitiveness by scaling up and to expand into new regions through acquiring local bases or distribution channels. The matters which may have adverse effects on Hitachi's financial condition or profitability are described in "Consolidated Financial Statements - Notes to Consolidated Financial Statements - (5) Business Acquisitions and Divestitures." Such transactions are inherently risky because of the difficulties in integrating operations, technologies, products and personnel and achieving return of the investment. Integration issues are complex, time-consuming and expensive and, without proper planning and implementation, could adversely affect Hitachi's business. Decisions made by or the performance of alliance partners that Hitachi cannot control or adverse business trends may also negatively affect the success of its alliances. Hitachi may incur significant acquisition, administrative and other costs in connection with these transactions, including costs related to integration or restructuring of acquired businesses. Major financing for these costs may cause deterioration of Hitachi's financial condition and decrease capacity to finance. If it is expected that the amount invested is irrecoverable due to a decline in the profitability of an investee, Hitachi may incur significant losses, including impairment loss for goodwill. Hitachi recorded goodwill of 1,269,171 million yen in the Digital Systems & Services segment, 589,011 million yen in the Green Energy & Mobility segment and 220,688 million yen in the Connective Industries segment as of March 31, 2023. The amount of goodwill in each segment is described in "Consolidated Financial Statements - Notes to Consolidated Financial Statements - (4) Segment Information." There can be no assurance that these transactions will be beneficial to Hitachi's business or financial condition. Even assuming these transactions are beneficial, there can be no assurance that Hitachi will be able to successfully integrate acquired businesses or achieve all or any of the initial objectives of these transactions.

To deal with those risks, Hitachi works to manage implementation in a phase gate process in each BU and analyze and discuss market and industry trends, strategies, purchase prices, PMI (post-merger integration) processes and potential risks, among other issues, from a range of perspectives, in the Investment Strategy Committee, Senior Executive Committee, the Board of Directors and Audit Committee.

Business Restructuring

Hitachi's business strategy seeks to build its business portfolio and achieve a structure with high growth potential and profitability in part by:

- closing unprofitable operations;
- divesting the subsidiaries and the affiliated companies;
- reorganizing production bases and sales networks; and
- selling select assets.

Hitachi's restructuring efforts may not be implemented in a timely manner or at all, including due to governmental regulations, employment issues or a lack of demand in the M&A market for businesses it may seek to sell. Restructuring efforts may also bring about unintended consequences, such as negative customer or employee perceptions, and in connection with the past business restructuring, have caused and may continue to cause us to incur significant expenses and other costs, including additional impairment losses on Hitachi's fixed assets and intangible assets, write-offs of inventory and losses on the disposal of fixed assets and losses related to the sale of securities. Current and future restructuring efforts may be unsuccessful or less successful than Hitachi presently anticipates and may adversely affect its business, financial condition and results of operations.

To deal with those risks, Hitachi analyzes and discusses market and industry trends, strategies, sale prices, processes and potential risks, among other issues, from a range of perspectives, in the Investment Strategy Committee, Senior Executive Committee, the Board of Directors and Audit Committee.

Worsening of Business Performance of Equity-Method Associates and Joint Ventures

Hitachi uses the equity-method to account for a number of associates and joint ventures. If one or more of such associates or joint ventures, accounted for using the equity-method, records a loss during a given period, Hitachi must record that loss in a manner proportionate to its ownership interest in its consolidated financial statements. In addition, if the carrying amount of Hitachi's equity-method investments in associates or joint ventures is below the recoverable amount of the investments, Hitachi could be required to record an impairment loss.

The table below shows investments accounted for using the equity method as of March 31, 2023.

Millions of yen

Segment	March 31, 2023
Digital Systems & Services	51,997
Green Energy & Mobility	88,003
Connective Industries	162,248
Automotive Systems	11,406
Hitachi Construction Machinery	-
Hitachi Metals	-
Others	4,017
Subtotal	317,671
Corporate items and Eliminations	160,949
Total	478,620

To deal with those risks, Hitachi promotes investment income management using Adjusted EBITA (Adjusted Earnings before interest, taxes and amortization) (Note) return on invested capital (ROIC) and concentrate investment in fields where profitability and growth are high. Hitachi monitors achievement of business plans and financial position at equity method affiliates in which Hitachi invests and sell businesses with low profitability and investee companies whose competitiveness it is concerned about.

(Note) Adjusted EBITA is representing the operating income, adding back the amortization of intangible assets, etc. recognized upon business combinations, and adding or deducting share of profits (losses) of investments accounted for using the equity method.

Litigation and Regulatory Investigations

Hitachi faces risks of being involved in litigation and alternative dispute resolution and regulatory investigation and actions in connection with its operations. Lawsuits or any other legal procedures for resolving disputes and regulatory actions may seek payment of large, indeterminate amounts or otherwise limit Hitachi's operations, and their existence and magnitude may remain unknown for substantial periods of time.

In past, Hitachi has been the subject of several investigations of alleged antitrust violations in relation to certain product markets in Japan, Europe and North America, etc. and received claims for damages from its customers, etc., which may have adverse effects on its financial condition or profitability. See "Consolidated Financial Statements - Notes to Consolidated Financial Statements - (29) Commitments and Contingencies." These investigations or disputes may result in significant penalties or compensation for damages, etc. Such substantial legal liability or regulatory action could have an adverse effect on Hitachi's business, results of operations, financial condition, cash flows, credibility and reputation. Furthermore, even if legal liability to Hitachi is denied and no regulatory actions or compensation for damages imposed, Hitachi's business, results of operations, financial condition, cash flows, credibility and reputation could have been affected. In addition, response mainly to the regulation of the protection of personal information may an adverse effect on Hitachi's business.

In addition, Hitachi's business activities are subject to various governmental regulations in countries where it operates, which include investments, exports, tariffs, antitrust, anti-bribery, consumer and business taxation, intellectual property, foreign trade and exchange controls, human rights, employment and labor, environment, resources and energy. These regulations limit, and other new or amended regulations may further limit, Hitachi's business activities or increase operating costs. In addition, the enforcement of such regulations, including the imposition of fines or surcharges for violation of such regulations, may adversely affect Hitachi's results of operations, financial condition, cash flows, credibility and reputation.

To deal with those risks, Hitachi works to identify operations where regulations are applied, assess risks, take steps in response to risks and provide education to employees.

Product Quality and Liability

Hitachi increasingly provides products and services utilizing sophisticated technologies. Reliance on procurement partner reduces Hitachi's control over quality assurance. The occurrence of defects in Hitachi's products and services or inappropriate conduct in respect to quality could negatively affect its reputation for quality of products and services, expose it to liability for damages caused by such defects and negatively affect its ability to sell certain products. A significant product defect could adversely affect Hitachi's results of operations, financial condition and future business prospects.

To deal with those risks, Hitachi conducts activities to prevent accidents and comply with technical laws and regulations, thorough risk assessment, and education on quality, reliability and reactions when product accidents occur. Furthermore, in response to past inappropriate quality-related practices at subsidiaries of the Company, Hitachi has made assurance divisions within business divisions independent from production design divisions and manufacturing divisions in order to create a structure that puts the safety and security of the customer first and has also independent from business divisions to further strengthen the independence. In addition, Hitachi has reinforced the report line of the quality assurance divisions of the Corporate Quality Assurance Group of the Company and established systems for close information sharing between the two sides.

Management of Confidential Information

Hitachi maintains and manages personal information obtained from its customers, as well as confidential information of its customers and clients, relating to its technology, research and development, production, marketing and business operations in various forms. Unauthorized disclosures of such information could subject Hitachi to complaints or lawsuits for damages or could otherwise have a negative impact on its business, financial condition, results of operations, credibility and reputation.

To deal with those risks, Hitachi establishes and implements rules on the management of confidential information and implements identity management and access control through encryption and the building of authentication infrastructure. Hitachi also examines information security at procurement partners.

Intellectual Property

Hitachi depends in part on proprietary technology and its ability to obtain patents, design right, trademarks and other forms of intellectual property rights covering its products, product design, manufacturing processes and software-based services in Japan and other countries. The fact that Hitachi holds such intellectual property rights does not ensure that they will provide a competitive advantage to Hitachi. Various parties may challenge, invalidate Hitachi's patents, design right, trademarks and other intellectual property rights or circumvent use of them. There can be no assurance that claims allowed on any future patents will be sufficiently broad to protect Hitachi's technology. Effective patent, design right, copyright and trade secret protection may be unavailable or limited in some of the markets in which Hitachi operates, and its trade secrets may be vulnerable to disclosure or misappropriation by employees, contractors and other persons.

To deal with those risks, Hitachi searches known examples before applying for intellectual property rights to increase the probability of obtaining rights and to obtain rights suitable for business. In countries where intellectual property protection is unavailable or limited, Hitachi strives to curb unauthorized use of intellectual property primarily through contracts with employees and contractors.

Hitachi designs many of its products to include software or other intellectual property licenses from third parties. Competitors may not make their protected technology available to Hitachi, or may make it available to Hitachi only on unfavorable terms and conditions. There can be no assurance that Hitachi will be able to maintain a license for such intellectual property if obtained, for economic or other reasons, or that such intellectual property will give Hitachi the commercial advantages that it desires.

To deal with those risks, Hitachi endeavors to maintain good relations with the third parties through contracts and negotiations to exercise intellectual property rights.

From time to time, Hitachi is sued or receive notices regarding patent, design right and other intellectual property claims. Whether or not these claims have legitimacy, they may require significant resources to defend against and may divert management attention from Hitachi's business and operations and result in harm to its reputation. In addition, a successful infringement claim and Hitachi's inability to obtain the license for the infringed technology or substitute similar non-infringing technology may adversely affect its business.

To deal with those risks, Hitachi works to avoid disputes with other companies chiefly by conducting a patent clearance study before selling a new product or providing a new service and by changing the design of products or services if necessary.

Employee Retirement Benefits

Hitachi has a significant amount of employee retirement benefit costs that it derives from actuarial valuations based on a number of assumptions. Inherent in these valuations are actuarial assumptions used in estimating pension costs including mortality, withdrawal and retirement rates, changes in wages and the discount rate. Hitachi is required to make judgments regarding the actuarial assumptions by taking into account various factors including personnel demographics, market conditions and expected trends in interest rates. Although management believes that its actuarial assumptions are reasonable in light of the various underlying factors, there can be no assurance that the actuarial assumptions will correspond to actual results. If Hitachi's actuarial assumptions differ from actual results, the consequent deviation of actual pension costs from estimated costs may have an adverse effect on Hitachi's financial condition and results of operations. A decrease in the discount rate may result in an increase in the amount of projected benefit obligations. In addition, Hitachi may change these actuarial assumptions, such as the discount rate. Changes in key assumptions may also have an adverse effect on Hitachi's financial condition and results of operations.

To mitigate the risk, on April 1, 2019, Hitachi has promoted to change the corporate pension plan for its current employees participating in the Hitachi Pension Fund from the defined benefit pension plan to the risk-sharing corporate pension plan. On April 1, 2022, newly 43 subsidiaries have introduced the risk-sharing corporate pension plan, and now the revision of Hitachi group pension plan managed by the Hitachi Pension Fund has been almost completed. The revision can reduce asset management risks of the Company and subsidiaries participating in the Hitachi Pension Fund by fixing the Company's premium payments, and it is also possible to reduce the risk of an adverse effect on Hitachi's financial condition and results of operations by discontinuing recognition of liabilities related to retirement benefits.

9) Risks Related to the American Depositary Shares

Rights of ADS holders

The rights of shareholders under Japanese law to take actions, including voting their shares, receiving dividends and distributions, bringing derivative actions, examining the Company's accounting books and records and exercising appraisal rights are available only to shareholders of record. Because the depositary, through its custodian agents, is the record holder of the shares underlying the American Depositary Shares, or ADSs, only the depositary can exercise those rights in connection with the deposited shares. The depositary will make efforts to vote the shares underlying ADSs in accordance with the instructions of ADS holders and will pay dividends and distributions collected from us as and to the extent provided in the deposit agreement. However, ADS holders will not be able to bring derivative actions, examine the Company's accounting books and records, or exercise appraisal rights through the depositary.

The Company is incorporated in Japan with limited liability. A significant portion of its assets are located outside the United States. As a result, it may be more difficult for investors to enforce against us judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States or judgments obtained in other courts outside Japan. There is doubt as to the enforceability in Japanese courts, in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated solely upon the federal securities laws of the United States.

Unit Share System

The Companies Act allows companies to establish a "unit" of shares for the purpose of exercising voting rights at the general meetings of shareholders. Under its articles of incorporation, one unit of its shares is composed of 100 shares, equivalent to 50 ADSs. Each unit of its shares has one vote. A holder who owns shares or ADSs in other than multiples of 100 or 50, respectively, will own less than a whole unit (i.e., for the portion constituting fewer than 100 shares, or fewer than 50 ADSs). The Company's articles of incorporation, in accordance with the Companies Act, impose significant restrictions on the rights of holders of shares constituting less than a whole unit, which include restrictions on the right to vote, to attend a shareholders' meeting and to bring derivative actions. In addition, less than whole unit shares cannot be traded on Japanese stock markets. Under the unit share system, holders of the Company's shares constituting less than one unit have the right to require us to purchase their shares and the right to require us to sell them additional shares to create a whole unit of 100 shares. However, holders of its ADSs are unable to withdraw underlying shares representing less than one unit and, as a practical matter, are unable to require us to purchase those underlying shares. The unit share system, however, does not affect the transferability of ADSs, which may be transferred in lots of any number of whole ADSs.

Dilution of Shares by Issuances of Additional Shares

The Company may issue additional shares in the future within the unissued portion of its authorized share capital and sell shares held as treasury stock, generally without shareholder vote unless the amount to be paid for shares is significantly lower than the market price. Issuances and sales of its shares in the future may be at prices below the prevailing market prices and may be dilutive.

Foreign Exchange Fluctuations

Market prices for the Company's ADSs may fall if the value of the yen declines against the U.S. dollar. In addition, the amount of cash dividends or other cash payments made to holders of ADSs will decline if the value of the yen declines against the dollar.

4. Management's Discussion and Analysis of Consolidated Financial Condition, Results of Operations and Cash Flows

(1) Progress of Management Plan

1) Status of Key Indicators laid out as Strategic and Operational Targets

Under the "2024 Mid-term Management Plan," the key indicators to measure performances in terms of meeting our strategic and operational goals are as follows.

	Year ended March 31, 2023 (Fiscal 2022)	Fiscal 2024 Target
Revenues (Note1)	7,638.2 billion yen	(CAGR from Fiscal 2021 to Fiscal 2024) 5%-7%
Adjusted EBITA margin (Note1)	9.5%	12%
Return on invested capital (ROIC) (Note2)	7.6%	10%
EPS (Note2)	684 yen	(CAGR from Fiscal 2021 to Fiscal 2024) 10%-14%
Core free cash flows (Note2)	(Fiscal 2022) 416.4 billion yen	(Cumulative for three years) 1.2 trillion yen

(Notes) 1.They are presented as the consolidated total excluding the total number of Automotive Systems, Hitachi Construction Machinery and Hitachi Metals segments.
2.They are calculated based on the consolidated total.

2) Global Business Expansion

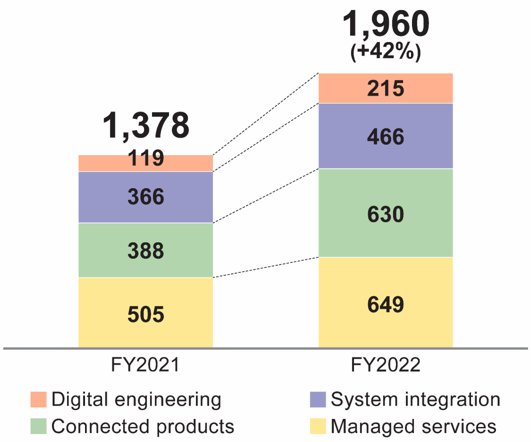
In the current fiscal year, as the first year of the "2024 Mid-term Management Plan," seeking global growth with the three pillars, "Digital," "Green" and "Innovation," Hitachi chiefly pursued the following initiatives and move ahead with the shift to growth mode.

– Global Growth of the Digital Business in Response to Rising DX (digital transformation) and GX (green transformation) Demand

To accelerate digital business in the global market experiencing growing DX demand, Hitachi established Hitachi Digital LLC in North America. Hitachi Digital has played a central role in advancing a digital strategy spanning the Hitachi Group with Lumada and other solutions, and in response to rising GX demand, Hitachi Energy Ltd, Hitachi Rail Ltd. and other Group entities have secured expanded orders.

In addition, GlobalLogic Inc., which continues to grow, has also set up a site in Japan and is applying its development techniques to Hitachi's projects in Japan. In anticipation of further growth, GlobalLogic acquired digital engineering companies in Romania and Uruguay in order to establish a presence in Europe and Latin America and to acquire new bases, customers and human resources.

Lumada business revenues
(Billions of yen)



Notes: 1. Lumada business revenues in the three segments of Digital Systems & Services, Green Energy & Mobility and Connective Industries.
2. Number in parentheses is the growth rate from the previous fiscal year.

– Global Risk Management Supporting Growth

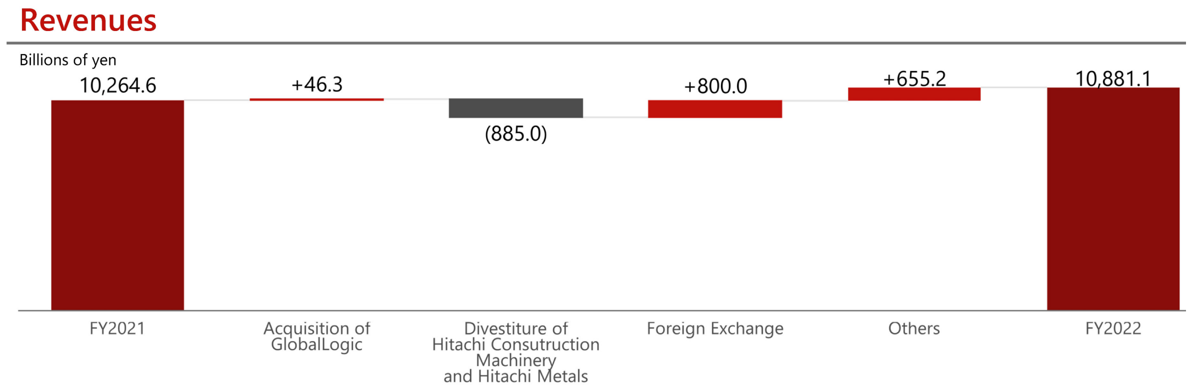
Amid ongoing uncertainty in the business environment, Hitachi has developed a system to centrally monitor global risk information and proactively respond to risks in response to risks that increase with business growth. We strive to ascertain the risks that could impact the Hitachi Group, including soaring prices of goods, geopolitical risks and large-scale disaster risks, and after quickly identifying priority risks, Hitachi tries to respond ahead of the rapidly changing business environment.

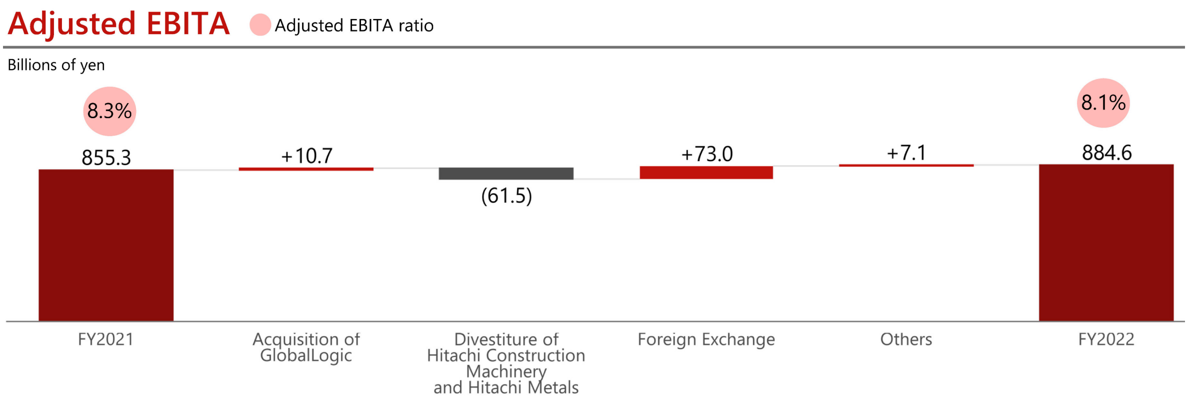
– Reorganization of the Automotive Systems Business

To achieve the sustainable growth and enhanced corporate value of Hitachi Astemo, Ltd. in the automobile and motorcycle industry undergoing a period of dramatic change, Hitachi decided to implement a partial transfer of shares in Hitachi Astemo. Through this transaction, Hitachi Astemo will become an equity-method associate of the Company. Hitachi will continue the collaboration with the growing Hitachi Astemo gaining a new joint partner, particularly in the areas of electrification and autonomous driving, enabling each company to grow together.

(2) Analysis of Results of Operations

1) Analysis of Statement of Operations





Revenues increased 6% from the year ended March 31,2022 (fiscal 2021), came to 10,881.1 billion yen. Revenues increased due mainly to strong results of the power grids business and the railway systems business, revenue growth in Hitachi Astemo, Ltd. resulting from the production recovery of OEMs, and revenue growth in GlobalLogic, as well as the impact of foreign exchange rate, despite the factors decreasing profits associated with selling a part of shares of Hitachi Construction Machinery Co., Ltd. and selling shares of Hitachi Metals, Ltd. (Currently Proterial, Ltd.).

Cost of sales increased 6% to 8,192.0 billion yen, as compared with fiscal 2021, and the ratio of cost of sales to revenues was 75%, the same level as for fiscal 2021. Gross profit increased 5% to 2,689.0 billion yen, as compared with fiscal 2021.

Selling, general and administrative expenses came to 1,940.9 billion yen, up 7% year on year. The ratio of selling, general and administrative expenses to revenues was 18%, which was the same level as for fiscal 2021.

Adjusted operating income (presented as revenues less cost of sales as well as SG&A) increased 9.9 billion yen year on year and reached 748.1 billion yen.

Share of gains (losses) of investments accounted for using the equity method increased 12.3 billion yen year on year to the gains of 52.8 billion yen.

As a result of the foregoing, adjusted EBITA (defined as Adjusted Earnings before Interest, Taxes and Amortization, and representing the operating income, adding back the amortization of intangible assets, etc. recognized upon business combinations, and adding or deducting share of profits (losses) of investments accounted for using the equity method) increased 29.2 billion yen to 884.6 billion yen, as compared with fiscal 2021.

Other income increased 173.8 billion yen to 302.1 billion yen and other expenses increased 161.0 billion yen to 245.0 billion yen, as compared with fiscal 2021, respectively. The main components are as follows;

- Net gain on sales and disposal of property, plant and equipment decreased 15.7 billion yen to 2.2 billion yen, as compared with fiscal 2021.
- Impairment losses increased 94.8 billion yen to 129.8 billion yen, as compared with fiscal 2021. This mainly reflected a posting of goodwill impairment losses due to positioning on-premise ERP business as non-focused business area in Digital Systems & Services sector, as well as posting of goodwill impairment losses on Hitachi Energy owning to the rise in discount rate following the significant rise in interest rates, etc.
- Net gain on business reorganization and others increased 195.2 billion yen year on year to 297.3 billion yen due mainly to posting of net gain from the sale of shares of Hitachi Transport System, Ltd. and Hitachi Metals, Ltd.
- Special termination benefits increased 0.5 billion yen to 9.3 billion yen, as compared with fiscal 2021.
- 51.1 billion yen was posted as other losses due to expenses by shifting to risk-sharing corporate pension.

Financial income (excluding interest income) decreased 20.0 billion yen to 7.8 billion yen and financial expenses (excluding interest charges) increased 20.3 billion yen to 20.4 billion yen, as compared with fiscal 2021, respectively.

EBIT (the earnings before interest and taxes) decreased 5.3 billion yen to 845.6 billion yen, as compared with fiscal 2021.

Interest income increased 10.1 billion yen to 25.6 billion yen, as compared with fiscal 2021 and interest charges increased 24.2 billion yen to 51.3 billion yen, as compared with fiscal 2021.

Income before income taxes decreased 19.3 billion yen to 819.9 billion yen, as compared with fiscal 2021.

Income taxes decreased 52.3 billion yen to 116.1 billion yen as compared with fiscal 2021.

Net income increased 33.0 billion yen to 703.8 billion yen, as compared with fiscal 2021.

Net income attributable to non-controlling interests decreased 32.6 billion yen to 54.7 billion yen, as compared with fiscal 2021.

As a result of the foregoing, net income attributable to Hitachi, Ltd. stockholders increased 65.6 billion yen to 649.1 billion yen, as compared with fiscal 2021.

2) Operations by Segment

The following is an overview of results of operations by segment. Effective from the fiscal year ending March 31, 2023, the Company reclassified its reportable segment in seven segments: Digital Systems & Services, Green Energy & Mobility, Connective Industries, Automotive systems, Hitachi Construction Machinery, Hitachi Metals and Others. Accordingly, the amounts previously reported for fiscal 2021 have been restated in conformity with the new segments. The numbers within each chart represent the results of the main businesses, etc. in each segment and revenues for each segment include intersegment transactions, so the sum of these numbers in some segments does not correspond to the total results in the segments.

(Digital Systems & Services)

(Billions of yen)			Revenues	Adjusted EBITA	Adjusted EBITA ratio
Digital Systems & Services※			**2,389**	**293.7**	**12.3%**
		YoY	111%	+12.3	(0.8)point
	Front Business		**982.5**	**94.3**	**9.6%**
		YoY	104%	(3.1)	(0.7)point
	IT Services		**898.3**	**102.1**	**11.4%**
		YoY	107%	+1.6	(0.5)point
	Services & Platforms		**938.1**	**78.0**	**8.3%**
		YoY	121%	+4.6	(1.2)point

* Figures for information control systems business, which were included in Services & Platforms until the previous fiscal year, are included in Front Business from the fiscal year ending March 31, 2023. The year-over-year comparison for Digital Systems & Services segment reflects this change

Revenues increased year on year due mainly to strong results of the Lumada business and GlobalLogic and the impact of foreign exchange.

Adjusted EBITA increased due mainly to increased revenues.

(Green Energy & Mobility)

(Billions of yen)				Revenues	Adjusted EBITA	Adjusted EBITA ratio
Green Energy & Mobility				**2,492.5**	**132.7**	**5.3%**
			YoY	122%	+40.4	+0.8point
	Nuclear Energy & Energy			**338.8**	**5.6**	**1.7%**
			YoY	101%	(23.9)	(7.1)point
		Nuclear Energy		**171.5**	**–**	**–**
			YoY	114%	–	–
		Energy		**177.4**	**–**	**–**
			YoY	97%	–	–
	Hitachi Energy			**1,413.9**	**101.0**	**7.1%**
			YoY	131%	+35.7	+1.0point
	Related cost※			**–**	**(14.6)**	**–**
			YoY	–	+9.7	–
	Railway Systems			**736.0**	**47.6**	**6.5%**
			YoY	117%	+18.7	+1.9point

* Related costs include PMI related costs of the power grids business

Revenues increased year on year due mainly to strong results of Hitachi Energy and Railway Systems business, as well as the impact of foreign exchange.

Adjusted EBITA increased year on year due mainly to increased revenues and improved profitability in Railway Systems business, despite decreased profits due to cost increase in a certain project in Energy business.

(Connective Industries)

(Billions of yen)		Revenues	Adjusted EBITA	Adjusted EBITA ratio
Connective Industries		**2,975.2**	**312.1**	**10.5%**
	YoY	108%	+54.3	+1.1point
Building Systems		**891.0**	**83.6**	**9.4%**
	YoY	108%	+13.8	+0.9point
Smart Life & Ecofriendly Systems		**392.3**	**35.5**	**9.0%**
	YoY	99%	(4.5)	(1.1)point
Measurement & Analysis Systems		**674.2**	**92.6**	**13.7%**
	YoY	117%	+32.8	+3.3point
Industrial Digital		**361.5**	**40.7**	**11.3%**
	YoY	105%	(2.0)	(1.1)point
Water & Environment		**186.5**	**19.0**	**10.2%**
	YoY	102%	+1.6	+0.6point
Industrial Products		**451.1**	**46.0**	**10.2%**
	YoY	110%	+8.2	+1.0point

Revenues increased year on year due mainly to strong results of Measurement and Analytical Systems business, which increased sales in semiconductor manufacturing equipment, clinical chemistry, and immunochemistry analyzers, etc., and Building systems business, which expanded the building services business, as well as the impact of foreign exchange.

Adjusted EBITA increased year on year due mainly to increased revenues, despite the impact of soaring materials prices in Smart Life & Ecofriendly System business and increased investment and sales expenses associated with promotion activities in Industrial Digital business.

(Automotive Systems)

(Billions of yen)		Revenues	Adjusted EBITA	Adjusted EBITA ratio
Automotive systems		**1920.0**	**73.4**	**3.8%**
	YoY	120%	+11.1	(0.1)point

Revenues increased year on year due mainly to the impact of foreign exchange and moderate production recovery of OEMs, despite the factors decreasing revenues such as the continuous semiconductor shortage and supply chain disruptions in China.

Adjusted EBITA increased year on year thanks primarily to increased revenues.

(Hitachi Construction Machinery)

(Billions of yen)		Revenues	Adjusted EBITA	Adjusted EBITA ratio
Hitachi Construction Machinery		**475.1**	**43.2**	**9.1%**
	YoY	46%	(56.9)	(0.7)point

Revenues decreased year on year due mainly to conversion of Hitachi Construction Machinery Co., Ltd., which was included in Hitachi Construction Machinery segment, to an equity-method associate of the Company as a result of selling a part of shares of Hitachi Construction Machinery Co., Ltd. in August 2022.

Adjusted EBITA decreased year on year due mainly to the impact of selling a part of shares of Hitachi Construction Machinery Co., Ltd. as described above.

(Hitachi Metals)

(Billions of yen)		Revenues	Adjusted EBITA	Adjusted EBITA ratio
Hitachi Metals		**847.7**	**43.0**	**5.1%**
	YoY	90%	+12.3	+1.8point

Revenues decreased year on year due mainly to deconsolidation of Hitachi Metals, Ltd., which was included in Hitachi Metals segment, as a result of selling shares of Hitachi Metals, Ltd. in January 2023.

Adjusted EBITA increased year on year due mainly to improved profitability owing to cost reduction measures, despite the impact of selling shares of Hitachi Metals, Ltd. as described above.

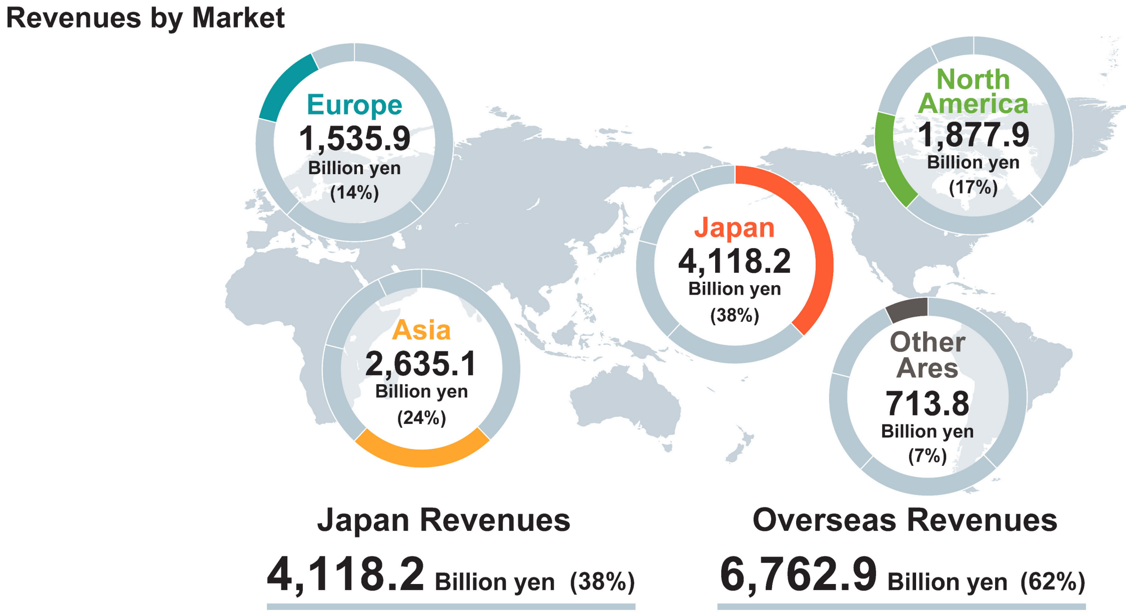
(Others)

Revenues increased 4% to 473.0 billion yen.

Adjusted EBITA decreased 8.0 billion yen to 15.5 billion yen, as compared with fiscal 2021.

3) Revenues by Geographic Area

The following is an overview of revenues attributed to geographic areas based on customer location.



(Note) The number in brackets in "Revenues by Market" is the percentage of revenues in each market to total revenues.

Japan

Revenues in Japan decreased from fiscal 2021. This was due mainly to the decreased revenues owning to selling a part of shares of Hitachi Construction Machinery Co., Ltd. and selling shares of Hitachi Metals, Ltd. The decrease was partially offset by increased revenues in Automotive Systems owning to a gradual recovery in production of OEMs, and increased revenues of Hitachi Systems, Ltd. and Hitachi Channel Solutions, Corp. in Digital Systems & Services sector, as well as increased revenues in Connective Industries sector.

Overseas

Revenues in Overseas increased compared with fiscal 2021, and the ratio to total revenues was 62%, a rise of 3% compared with fiscal 2021. Revenues in each area are as follows;

(North America)

Revenues in North America increased from fiscal 2021, attributable mainly to increased revenues in Automotive Systems owning to a recovery of market conditions, increased revenues of the power grids business in Green Energy & Mobility sector, and increased revenues in Digital Systems & Services sector resulting from the acquisition of GlobalLogic. The increase was partially offset by decreased revenues due mainly to selling a part of shares of Hitachi Construction Machinery Co., Ltd.

(Europe)

Revenues in Europe increased from fiscal 2021, due mainly to increased revenues of the power grids business and the railway systems business in Green Energy & Mobility sector and the measurement and analytical systems business in Connective Industries sector. The increase was partially offset by decreased revenues due mainly to selling a part of shares of Hitachi Construction Machinery Co., Ltd.

(Asia)

Revenues in Asia composed of China and ASEAN, India and other areas increased from fiscal 2021, due mainly to increased revenues in Automotive Systems owning to a recovery of market conditions, increased revenues of the building systems business and the measurement and analytical systems business in Connective Industries sector, and increased revenues in Digital Systems & Services sector. The increase was partially offset by decreased revenues due mainly to selling a part of shares of Hitachi Construction Machinery Co., Ltd. and selling shares of Hitachi Metals, Ltd.

(Other Areas)

Revenues in other areas increased from fiscal 2021, due mainly to increased revenues of the power grids business and the railway systems business in Green Energy & Mobility sector, and in Automotive Systems. The increase was partially offset by decreased revenues due mainly to selling a part of shares of Hitachi Construction Machinery Co., Ltd.

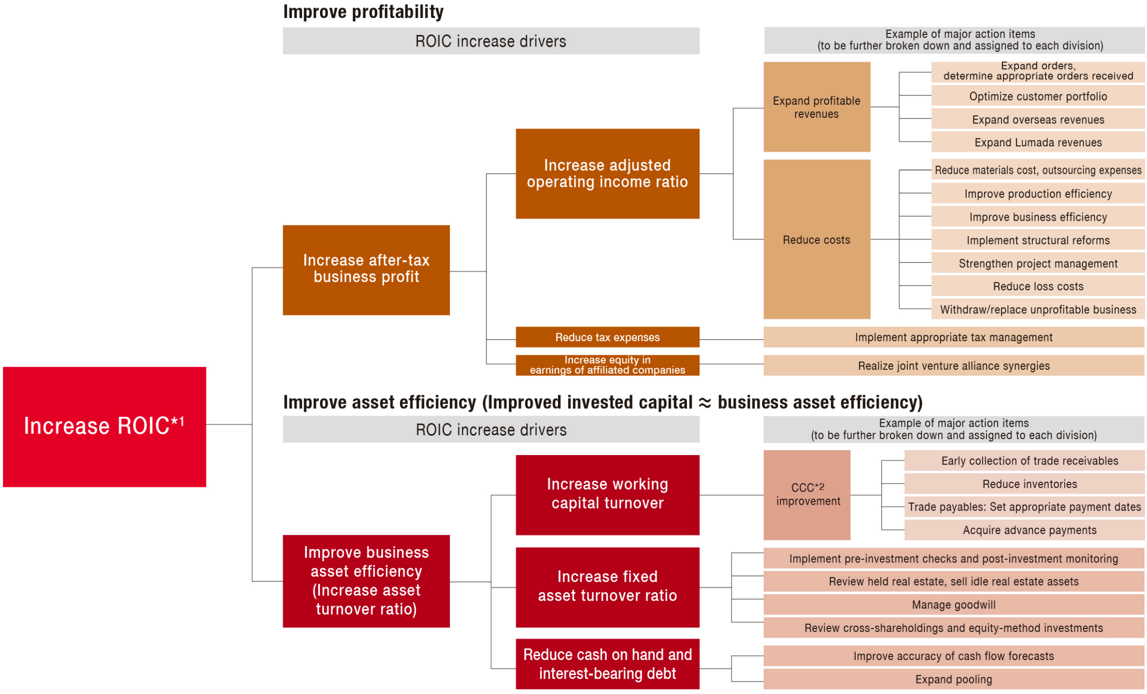
(3) Analysis of Financial Condition and Cash Flows

1) Liquidity and Capital Resources

Policies for Financing Activities

We consider maintaining an appropriate level of liquidity and securing adequate funds for current and future business operations to be important financial objectives. Through efficient management of working capital, we are working to optimize the efficiency of capital utilization throughout our business operations. We endeavor to improve our group cash management by centralizing such management among us and our overseas financial subsidiaries.

We introduced ROIC as a management indicator and are promoting the improvement of capital efficiency and the growth of highly profitable businesses through our management. ROIC is an indicator that evaluates returns generated by invested capital calculated by dividing business profit after taxes by invested capital. To increase returns, ROIC needs to exceed the weighted average cost of capital (WACC), which is the cost of raising invested capital.



*1 ROIC = (NOPAT + Share of profits (losses) of investments accounted for using the equity method) / "Invested Capital" × 100
NOPAT (Net Operating Profit after Tax) = Adjusted operating income × (1 – Effective income tax rate), Invested Capital = Interest-bearing debt + Total equity

*2 CCC: Cash Conversion Cycle

In fiscal 2022, we have changed the key indicator of profitability from the conventional adjusted operating income to adjusted EBITA (representing the operating income, adding back the amortization of intangible assets, etc. recognized upon business combinations, and adding or deducting share of profits (losses) of investments accounted for using the equity method).

We will aim for adjusted EBITA margin of 12% and ROIC of 10% and ensure disciplined investment judgments using adjusted EBITA margin and ROIC as the criteria, which are also used for assessing investments in the acquisition of businesses, in an effort to further increase profitability and the efficiency of business assets.

Trends in the Funding Demands

Our major uses of funds are M&A for growth, investment in human resources, capital investments, research and development (R&D) investments and shareholder returns. We plan to use cash income from core free cash flows and the sale-off of assets for investments in future growth and for shareholder returns with good balance.

The major transactions of M&As, etc. are described in "Consolidated Financial Statements - Notes to Consolidated Financial Statements - (5) Business Acquisitions and Divestitures." The results and plan of the capital investments are described in "III. Property, Plants and Equipment." The policy and results of shareholder returns are described in " IV. Information on the Company - 3. Dividend Policy."

Capital Resources

Our internal sources of funds include cash flows generated by operating activities and cash and cash equivalents. Our management also considers short-term investments to be an immediately available source of funds. In addition, we raise funds both in the capital markets and from Japanese and international commercial banks in response to our capital requirements. Our management's policy for capital investment and M&A is to finance capital expenditures primarily by internally generated funds and to a lesser extent by funds raised through the issuance of debt and equity securities in domestic and foreign capital markets.

When procuring funds through borrowing, our financial discipline policy is to maintain the appropriate financial condition by considering the financial indicators such as a D/E ratio and an interest bearing debt/EBITDA ratio. In order to flexibly access funding, we registered our shelf registration with the maximum outstanding balance of 300.0 billion yen.

We maintain commitment line agreements with a number of domestic banks under which we may borrow in order to ensure efficient access to necessary funds. These commitment line agreements generally provide for a one-year term, renewable upon mutual agreement between us and each of the lending banks, as well as another commitment line agreement with a contract term of three years ending on July 29, 2025. As of March 31, 2023, our unused commitment lines totaled 513.0 billion yen, including those of 505.0 billion yen which the Company maintained.

We receive debt ratings from Moody's Japan K.K. (Moody's), S&P Global Rating Japan Inc. (S&P), as well as Rating and Investment Information, Inc. (R&I). Our debt ratings as of March 31, 2023 were as follows.

Rating Company	Long-term	Short-term
Moody's	A3	P-2
S&P	A	A-1
R&I	AA-	a-1+

With our current ratings, we believe that our access to the global capital markets will remain sufficient for our financing needs. We seek to improve our credit ratings in order to ensure financial flexibility for liquidity and capital management, and to continue to maintain access to sufficient funding resources through the capital markets.

2) Cash Flows

(Cash Flows from Operating Activities)

Net income in fiscal 2022 increased by 33.0 billion yen, as compared with fiscal 2021. Net cash outflow from a change in trade receivables and contract assets increased by 27.3 billion yen, as compared with fiscal 2021. Net cash inflow from a change in trade payables decreased by 112.5 billion yen, as compared with fiscal 2021. However, net cash outflow from a change in inventories decreased by 85.8 billion yen, and income tax payment decreased by 77.6 billion yen, as compared with fiscal 2021, respectively.

As a result of the foregoing, net cash provided by operating activities was 827.0 billion yen in fiscal 2022, an increase of 97.1 billion yen compared with fiscal 2021.

(Cash Flows from Investing Activities)

Net amount of investments related to property, plant and equipment* was 355.0 billion yen in fiscal 2022 and this net sum increased by 24.9 billion yen compared with fiscal 2021. Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) in fiscal 2022 decreased by 827.1 billion yen, as compared with fiscal 2021, due mainly to the purchase of shares of GlobalLogic Worldwide Holdings, Inc. in fiscal 2021. Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) in fiscal 2022 increased by 447.4 billion yen, as compared with fiscal 2021, due mainly to the sale of shares of Hitachi Construction Machinery Co., Ltd., Hitachi Metals, Ltd. and Hitachi Transport System, Ltd.

As a result of the foregoing, net cash provided by investing activities was 151.0 billion yen in fiscal 2022, as compared with 1,048.8 billion yen of net cash outflow in fiscal 2021.

* The sum of the purchase of property, plant and equipment and the purchase of intangible assets, less the proceeds from sale of property, plant and equipment, and intangible assets.

(Cash Flows from Financing Activities)

Net cash outflow related to long-term debt** in fiscal 2022 decreased by 52.4 billion yen, as compared with fiscal 2021. However, net cash outflow from a change in short-term debt in fiscal 2022 was 277.6 billion yen, as compared with 653.2 billion yen of net cash inflow in fiscal 2021 and net cash outflow from acquisition of common stock for treasury in fiscal 2022 increased by 199.9 billion yen, as compared with fiscal 2021.

As a result of the foregoing, net cash used in financing activities was 1,142.9 billion yen in fiscal 2022, as compared with 202.7 billion yen of net cash inflow in fiscal 2021.

** The proceeds from long-term debt, less the payments on long-term debt.

As a result of the foregoing, cash and cash equivalents as of March 31, 2023 were 833.2 billion yen, a decrease of 135.5 billion yen from March 31, 2022. Free cash flows, the sum of cash flows from operating and investing activities, were an inflow of 978.1 billion yen in fiscal 2022, an increase of 1,297.0 billion yen compared with fiscal 2021.

3) Assets, Liabilities and Equity

As of March 31, 2023, total assets amounted to 12,501.4 billion yen, a decrease of 1,386.0 billion yen from March 31, 2022. This was attributable to conversion of Hitachi Construction machinery Co., Ltd. to an equity-method associate of the Company and deconsolidation of Hitachi Metals, Ltd., despite increased assets resulting from the impact of foreign exchange. Cash and cash equivalents as of March 31, 2023 amounted to 833.2 billion yen, a decrease of 135.5 billion yen from the amount as of March 31, 2022.

As of March 31, 2023, total interest-bearing debt, the sum of short-term debt and long-term debt including current portion of long-term debt, amounted to 2,213.3 billion yen, a decrease of 913.3 billion yen from March 31, 2022. As of March 31, 2023, short-term debt, consisting mainly of borrowings from banks and commercial paper, amounted to 777.6 billion yen, a decrease of 456.4 billion yen from March 31, 2022. As of March 31, 2023, the current portion of long-term debt amounted to 141.8 billion yen, a decrease of 194.5 million yen from March 31, 2022. As of March 31, 2023, long-term debt (excluding current portion), consisting mainly of debentures, and loans principally from banks and insurance companies, amounted to 1,293.8 billion yen, a decrease of 262.3 billion yen from March 31, 2022.

As of March 31, 2023, total Hitachi, Ltd. stockholders' equity amounted to 4,942.8 billion yen, an increase of 601.0 billion yen from March 31, 2022. As a result, the ratio of total Hitachi, Ltd. stockholders' equity to total assets as of March 31, 2023 was 39.5%, compared with 31.1% as of March 31, 2022.

Non-controlling interests as of March 31, 2023 was 392.7 billion yen, a decrease of 620.7 billion yen from March 31, 2022.

Total equity as of March 31, 2023 was 5,335.5 billion yen, a decrease of 19.7 billion yen from March 31, 2022. The ratio of interest-bearing debt to total equity was 0.41, an decrease of 0.17 point from March 31, 2022.

(4) Production, Order Received and Sales

The Hitachi Group does not present production and orders received in amount or volume terms for each segment since it produces and sells a wide variety of products, there are variety of specifications in same kinds of products and certain products are mass-produced. The balance of unsatisfied performance obligations for the segments that have contracts under which revenues are recognized over a long period of time is described in "Consolidated Financial Statements — Notes to Consolidated Financial Statements — (20) Revenues." Regarding sales, see "(2) Analysis of Results of Operations."

(5) Important Accounting Policies and Estimates

The preparation of the consolidated financial statements in conformity with IFRS requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management considers that certain accounting estimates to be critical, and that their significance to the financial statements and the possibility that future events affecting the estimate may differ significantly from management's current assumptions could have a material impact on the presentation of our financial condition, changes in financial condition or results of operations. First, the estimates require us to make assumptions about matters that are highly uncertain at the time the accounting estimates are made. Second, there could be different estimates that we reasonably could have used for the accounting estimate in the current period, or changes in the accounting estimate that are reasonably likely to occur as time proceeds. Important accounting policies that require management to make estimates and assumptions are as follows.

Estimates, Fluctuations in Cost and Cancellation of Long-term Projects

We enter into a substantial number of long-term projects, particularly in connection with the construction of infrastructure systems. For a performance obligation satisfied over time, we measure its progress towards complete satisfaction of that performance obligation based on the costs incurred, or the period of services being provided in consideration of the nature of the goods and services for the purpose of recognizing revenue. When we cannot reasonably measure the progress, revenue is recognized only to the extent of the costs incurred. The revenue recognition for such long-term projects requires us to make significant assumptions about the estimated total cost, estimated total selling price, contract risks and other factors. However, these estimates are subject to change. We charge any anticipated losses on fixed price contracts to operations when we are able to estimate such losses. While we employ our best judgment based on available information, these estimates are subject to change. We regularly review these estimates and adjust them as we deem necessary. Fluctuations in costs can occur for a variety of reasons, many of which are beyond our control. In addition, we or our counterparties may cancel these contracts. These factors would require us to revise our initial assumptions regarding a particular contract, and may adversely affect our business, financial condition and results of operations.

Business Combinations

Business combinations are accounted for using the acquisition method. In addition to tangible assets of the acquiree, intangible assets such as technologies, brands, and customer lists are valuated at fair value. In these valuations, estimates are made based on appropriate assumptions and future projections according to each case. Independent external experts are usually involved in the valuation process, but significant estimates and assumptions in the valuation include inherent uncertainty. We consider the estimates of the key assumptions to be reasonable, but actual results may differ.

Impairment of Assets

We review the carrying amounts of assets that it owns and uses whenever events or changes in circumstances indicate that the carrying amounts may be unrecoverable, to determine whether there is any indication of impairment. If the carrying amount of an asset is judged to be impaired, the amount that exceeds the recoverable amount is recognized as an impairment loss. We measure the recoverable amount of an asset or a CGU (or a group of CGUs) as the higher of fair value less costs of disposal and value in use.

In measuring fair values, we primarily use the income approach (present value technique) based on the estimated future cash flows expected to result from the use of the asset and its eventual disposal or the market approach to derive reasonable estimates of values in orderly market transactions, such as comparisons of similar public companies and the current gross value of the asset. Value in use is calculated using the estimated future cash flows based on business plans approved by management, discounted at the discount rate, which is derived from the weighted average cost of capital. It is based on certain assumptions that it is considered reasonable as of the filing date of this report, but actual results may differ significantly depending on market risks, business environment risks, and so forth. The discount rate used to calculate the value in use is affected by stock market trends and interest rate fluctuations. We believe that the estimates of future cash flows and value in use are reasonable, but changes in estimates resulting from unpredictable changes in the business environment that lead to decreases in future cash flows or value in use can adversely affect the valuation of assets. We appropriately employ external experts depending on the complexity of calculating fair value and value in use.

Goodwill is the source of excess earning power based on the market competitiveness acquired through business acquisition, and the difference between the net assets of the acquiree and the consideration for acquisition is recorded as goodwill except for the amount recorded as intangible assets, etc. Goodwill is not amortized in accordance with IFRS. Irrespective of any indicators of impairment, we test assets for impairment annually, mainly in the fourth quarter, by estimating the recoverable amount of each CGU or a group of CGUs to which such assets are allocated. We continuously monitor the comparison between the initial estimate and the most recent estimate, and conduct impairment tests if there are signs that the value will fall below the original estimate and the carrying amount will not be recoverable, due to changes in events or circumstances such as in business strategies or in the market environment. Such changes in the events or circumstances include crises in the global economy and financial markets, and if the carrying amount of each CGU or a group of CGUs to which such assets are allocated exceeds the recoverable amount, the excess amount is recognized as an impairment loss.

The breakdowns of impairment and goodwill by segment are described in “Consolidated Financial Statements — Notes to Consolidated Financial Statements — (4) Segment Information.” The main content is described in “Consolidated Financial Statements — Notes to Consolidated Financial Statements — (9) Property, Plant and Equipment and (10) Goodwill and Other Intangible Assets."

Deferred Tax Assets

Deferred tax assets are the amounts of taxes that will be recovered in future periods. In assessing the realizability of deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Although realization is not assured, we consider the scheduled reversals of deferred tax liabilities and projected future taxable income when assessing realizability. The outlook for future performance, which is the basis for estimating future taxable income, may differ from the actual one due to unforeseen events such as economic trends, supply and demand trends in markets, sales prices of products and services, procurement prices of raw materials and parts, fluctuations in exchange rates, and rapid technological innovations, and may be corrected in the future. As a result, the amounts of deferred tax assets that are determined to be recognizable may be adversely affected. The realizability of deferred tax assets is evaluated for each tax payment in each tax jurisdiction, and even if running similar businesses, the evaluations can differ depending on the product and the tax jurisdiction. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in specific tax jurisdictions during the periods in which these deductible differences become deductible. Based on these factors, we consider it is more likely than not it will realize the benefits of these deducible differences as of March 31, 2023. However, the actual times and amounts of taxable income occurrence may differ from the estimates.

Employee Retirement Benefits

We have a significant amount of employee retirement benefit costs that we derive from actuarial valuations based on a number of assumptions. Inherent in these valuations are a number of actuarial assumptions used in estimating employee retirement benefit costs including mortality, withdrawal and retirement rates, changes in wages and the discount rate. We are required to make judgments regarding the actuarial assumptions by taking into account various factors including personnel demographics, market conditions and expected trends in interest rates. Although management believes that its actuarial assumptions are reasonable in light of the various underlying factors, there can be no assurance that the actuarial assumptions will correspond to actual results. If our actuarial assumptions differ from actual results, the consequent deviation of actual employee retirement benefit costs from estimated costs may have an adverse effect on our financial condition and results of operations. A decrease in the discount rate may result in an increase in the amount of projected benefit obligations. In addition, we may change these actuarial assumptions, such as the discount rate. Changes in actuarial assumptions may also have an adverse effect on our financial condition and results of operations. Details of the evaluation of employee retirement benefits are described in “Consolidated Financial Statements — Notes to Consolidated Financial Statements — (3) Summary of Significant Accounting Policies — (k) Retirement and Severance Benefits.”

(6) Forward-Looking Statements

Certain statements found in “1. Management Policy, Economic Environment and Challenges Hitachi Group Faces,” “2. Sustainability Approach and Initiatives,” “3. Risks Factors” and “4. Management's Discussion and Analysis of Consolidated Financial Condition, Results of Operations and Cash Flows” and other descriptions in this report may constitute “forward-looking statements” as defined in the U.S. Private Securities Litigation Reform Act of 1995. Such “forward-looking statements” reflect management’s current views with respect to certain future events and financial performance and include any statement that does not directly relate to any historical or current fact. Words such as “anticipate,” “believe,” “expect,” “estimate,” “forecast,” “intend,” “plan,” “project” and similar expressions which indicate future events and trends may identify “forward-looking statements.” Such statements are based on currently available information and are subject to various risks and uncertainties that could cause actual results to differ materially from those projected or implied in the “forward-looking statements” and from historical trends. Certain “forward-looking statements” are based upon current assumptions of future events which may not prove to be accurate. Undue reliance should not be placed on “forward-looking statements,” as such statements speak only as of the date of this report.

Factors that could cause actual results to differ materially from those projected or implied in any “forward-looking statement” and from historical trends include, but are not limited to:

- economic conditions, including consumer spending and plant and equipment investment in Hitachi’s major markets, as well as levels of demand in the major industrial sectors Hitachi serves;
- exchange rate fluctuations of the yen against other currencies in which Hitachi makes significant sales or in which Hitachi’s assets and liabilities are denominated;
- uncertainty as to Hitachi’s ability to access, or access on favorable terms, liquidity or long-term financing;
- uncertainty as to general market price levels for equity securities, declines in which may require Hitachi to write down equity securities that it holds;
- fluctuations in the price of raw materials including, without limitation, petroleum and other materials, such as copper, steel, aluminum, synthetic resins, rare metals and rare-earth minerals, or shortages of materials, parts and components;
- credit conditions of Hitachi’s customers and suppliers;
- general socioeconomic and political conditions and the regulatory and trade environment of countries where Hitachi conducts business, particularly Japan, Asia, the United States and Europe, including, without limitation, direct or indirect restrictions by other nations on imports and differences in commercial and business customs including, without limitation, contract terms and conditions and labor relations;
- uncertainty as to Hitachi’s ability to response to tightening of regulations to prevent climate change
- uncertainty as to Hitachi’s ability to maintain the integrity of its information systems, as well as Hitachi’s ability to protect its confidential information or that of its customers;
- uncertainty as to Hitachi’s ability to attract and retain skilled personnel;
- uncertainty as to Hitachi’s ability to continue to develop and market products that incorporate new technologies on a timely and cost-effective basis and to achieve market acceptance for such products;
- exacerbation of social and economic impacts of the spread of COVID-19;
- the possibility of disruption of Hitachi’s operations by natural disasters such as earthquakes and tsunamis, the spread of infectious diseases, and geopolitical and social instability such as terrorism and conflict;
- estimates, fluctuations in cost and cancellation of long-term projects for which Hitachi uses the percentage-of-completion method to recognize revenue from sales;
- increased commoditization of and intensifying price competition for products;
- fluctuations in demand of products, etc. and industry capacity;
- uncertainty as to Hitachi’s ability to implement measures to reduce the potential negative impact of fluctuations in demand of products, etc., exchange rates and/or price of raw materials or shortages of materials, parts and components;
- uncertainty as to the success of cost structure overhaul;
- uncertainty as to Hitachi’s ability to achieve the anticipated benefits of its strategy to strengthen its Social Innovation Business;

- uncertainty as to the success of acquisitions of other companies, joint ventures and strategic alliances and the possibility of incurring related expenses;
- uncertainty as to the success of restructuring efforts to improve management efficiency by divesting or otherwise exiting underperforming businesses and to strengthen competitiveness;
- the potential for significant losses on Hitachi's investments in equity-method associates and joint ventures;
- uncertainty as to the outcome of litigation, regulatory investigations and other legal proceedings of which the Company, its subsidiaries or its equity-method associates and joint ventures have become or may become parties;
- the possibility of incurring expenses resulting from any defects in products or services of Hitachi;
- uncertainty as to Hitachi's access to, or ability to protect, certain intellectual property; and
- uncertainty as to the accuracy of key assumptions Hitachi uses to evaluate its employee benefit-related costs.

The factors listed above are not all-inclusive and are in addition to other factors contained elsewhere in this report and in other materials published by Hitachi.

5. Material Agreements, etc.

Cross License Agreement

Party	Party	Country	Item under contract	Contract description	Contract period
Hitachi, Ltd. (The Company)	International Business Machines Corp.	U.S.A.	Information handling systems	Cross license of patents	From January 1, 2008 to the expiration of patents applied on or before January 1, 2023
Hitachi, Ltd. (The Company)	HP Inc. Hewlett Packard Enterprise Company	U.S.A.	All products and services	Cross license of patents	From March 31, 2010 to the expiration of patents applied on or before December 31, 2014
Hitachi, Ltd. (The Company)	EMC Corporation	U.S.A.	Information handling systems	Cross license of patents	From January 1, 2003 to the expiration of patents applied on or before December 31, 2007
Hitachi-GE Nuclear Energy, Ltd. (Consolidated subsidiary)	GE-Hitachi Nuclear Energy Americas LLC	U.S.A.	Nuclear reactor systems	Cross license of patents and technology	From October 30, 1991 to June 30, 2023

6. Research and Development

(1) Research goals and major issues

The Hitachi Group (Hitachi Ltd. and its consolidated subsidiaries) aims to further evolve its Social Innovation Business with Digital, Green and Innovation as growth drivers. We have set "Strengthen initiative to create innovation with digital contributing to global growth" as our R&D mission. By allocating R&D resources to prioritize innovations that revolutionize the customer experience and address the essential issues facing society, we will strive to ensure business continuity, achieve future growth and solve the social issues our customers face, thereby maintaining a society that does not exceed planetary boundaries, in balance with ensuring the wellbeing of each employee.

To strengthen the competitiveness of our business activities and achieve future growth, we are developing growth scenarios for our customers by giving shape to the Lumada Growth Cycle and realizing customer experience-driven DX (digital transformation) through One Hitachi. We are also driving the creation of disruptive innovations based on back-casting from 2050 under a global framework. To this end, we are expanding our digital technology base and strengthening our overseas research resources. We will also accelerate the evolution of the Social Innovation Business in collaboration with Hitachi Digital, the Global Environment Business Group, and Innovation Growth Strategy Division, which lead the growth strategy across the Group, and with related companies such as GlobalLogic Inc., and Hitachi Energy, Ltd.

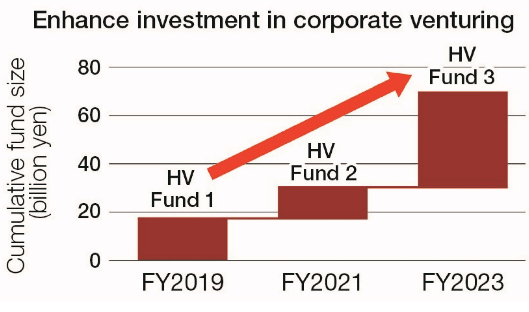
(2) Research and development scheme

The Hitachi Group is striving to improve the efficiency of R&D through close coordination between the R&D divisions of the Company and those of its group companies. It has been expanding collaboration with universities and other research institutions both in Japan and abroad. In addition to collaborations with universities and research institutions in Japan and overseas, in April 2019 the R&D Group Kokubunji Site opened the "Kyōsō-no-Mori" R&D center, to accelerate open collaborative creation with customers and partners. The Corporate Venturing Office was established at the same time, and through two funds that have been formed so far, we have invested in a total of 21 startup companies, providing value to our customers while supporting the growth of each company through collaboration with Hitachi's businesses, and contributing to DX, decarbonization and wellbeing in the process.

To accelerate global growth through the Social Innovation Business, we reorganized our R&D Group in April 2022. The Global Center for Social Innovation, which has been responsible for the development of value-driven innovations in tandem with Hitachi's front-line operations, and the Technology Innovation Center, which has been responsible for the development of world-leading technologies supporting value creation, have been integrated into the Center for Digital Services and the Center for Sustainability, to strengthen value creation through DX and GX (green transformation). The Center for Exploratory Research, which is responsible for setting the stage for the future, together with our overseas R&D centers in North America, Europe, China, Asia, and India, are working together to innovate on a global scale.

(3) Investment in Innovation

To achieve further growth of the Hitachi Group, we will increase our investment in innovation groupwide. The third fund of corporate venturing investment was formed in April 2023 with a size of $300 million, which is twice the size of the first and second funds established previously. We will make strategic investments in startups driving the latest digital trends including Web3, the Metaverse and generative AI technologies. Also, we will invest a cumulative 100 billion yen in cutting-edge research over the three-year period of the 2024 Mid-term Management Plan. Through these investments, we aim to create disruptive innovations to solve future social issues and contribute to the Hitachi Group's growth by achieving the Lumada growth cycle.

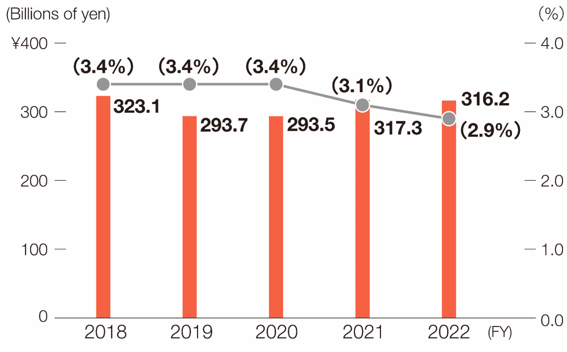


(4) R&D expenditures

The Hitachi Group's R&D expenditures for the fiscal year ended March 31, 2023 were 316.2 billion yen, 2.9% of revenues. R&D expenses by segment and R&D expenses trends are shown below.

(Billions of yen)

Segment	Fiscal Year ended March 31, 2023
Digital Systems & Services	52.7
Green Energy & Mobility	53.3
Connective Industries	84.6
Automotive Systems	76.4
Hitachi Construction Machinery	9.5
Hitachi Metals	9.1
Others	3.5
Corporate items & Eliminations	26.7
Total	316.2



Note: The number in parentheses is the percentage of research and development expenses to total revenues.

(5) R&D achievements

Notable R&D achievements in the fiscal year ended March 31, 2023 are as follows.

(i) Launched collaborative creation using advanced digital technology to promote MI in materials development (Digital Systems & Services segment)

Aiming to accelerate the development of new materials and make material development more streamlined and sophisticated, we worked to promote Materials Informatics (MI), which enables the efficient discovery of material properties and knowledge in a short period of time through the use of material-related data and digital technologies such as AI. By applying "CMOS annealing," which simulates a quantum computer, to the development of a model for predicting material performance, we have improved the prediction accuracy of the machine learning model and made material development times that are around 20% faster a possibility. Going forward, we will aim to commercialize this technology as a Lumada material development solution. (a result of collaborative activities with SEKISUI CHEMICAL CO., LTD.)

(ii) Launched collaboration on the issuance of "Wholesale Digitally Tracked Green Bond," Japan's first environmental bond using a digital mechanism (Digital Systems & Services segment)

We launched a collaboration to issue Japan's first publicly submitted "Wholesale Digitally Tracked Green Bond" using a bond-type security token scheme based on blockchain infrastructure provided by BOOSTRY Co., Ltd. Under the collaboration, part of the "Sustainable Finance Platform" developed by Hitachi is used as a platform for recording and managing various environmental data. By sharing the lessons learned and issues identified through this initiative, we aim to contribute to the carbon neutrality of society as a whole. (collaboration with Japan Exchange Group, Inc., Nomura Securities Co., Ltd., and BOOSTRY Co., Ltd.)

(iii) Received the MEXT Minister's Award at the 52nd Japan Industrial Technology Awards for the development of an AI video analysis solution (Digital Systems & Services segment)

We received the MEXT (Ministry of Education, Culture, Sports, Science and Technology) Minister's Award at the 52nd Japan Industrial Technology Awards hosted by THE NIKKAN KOGYO SHIMBUN, LTD. for "Development of AI Video Analysis Solution to Support the Development of a Safe and Secure Society. The AI Video Analysis Solution utilizes Hitachi's AI video analysis technology and features "high-speed search" to find a target person or object in approximately one second by quickly identifying characteristics such as appearance and behavior from video data of tens of thousands of people, and "real-time tracking" to track movement routes from numerous security cameras using location information and recording times. The solution will support highly efficient security operations in large public spaces. Last year, we developed a new AI technology that captures changes in the posture of people in video images and the ownership relationship between people and objects, and began offering a solution with expanded capabilities for early detection of suspicious behavior and abandoned packages. (jointly awarded with

Hitachi Industry & Control Solutions, Ltd.)

(iv) Hitachi launched Lumada Inspection Insights to support the inspection, monitoring, and optimization of facilities for electric utilities and other companies (Green Energy & Mobility segment, Digital Systems & Services segment)

Lumada Inspection Insights was released as a digital solution to inspect, monitor and optimize key facilities such as power transmission networks for power utilities and other companies. Lumada Inspection Insights was jointly developed by Hitachi Energy and Hitachi Vantara, and incorporates AI technology developed by Hitachi. By using AI to analyze still images and video including satellite imagery, LiDAR (a remote sensing technology) output and temperature distribution, we can help customers automate facility inspections, improve safety, reduce weather-related risks and environmental impacts from wildfires, and achieve sustainability goals.

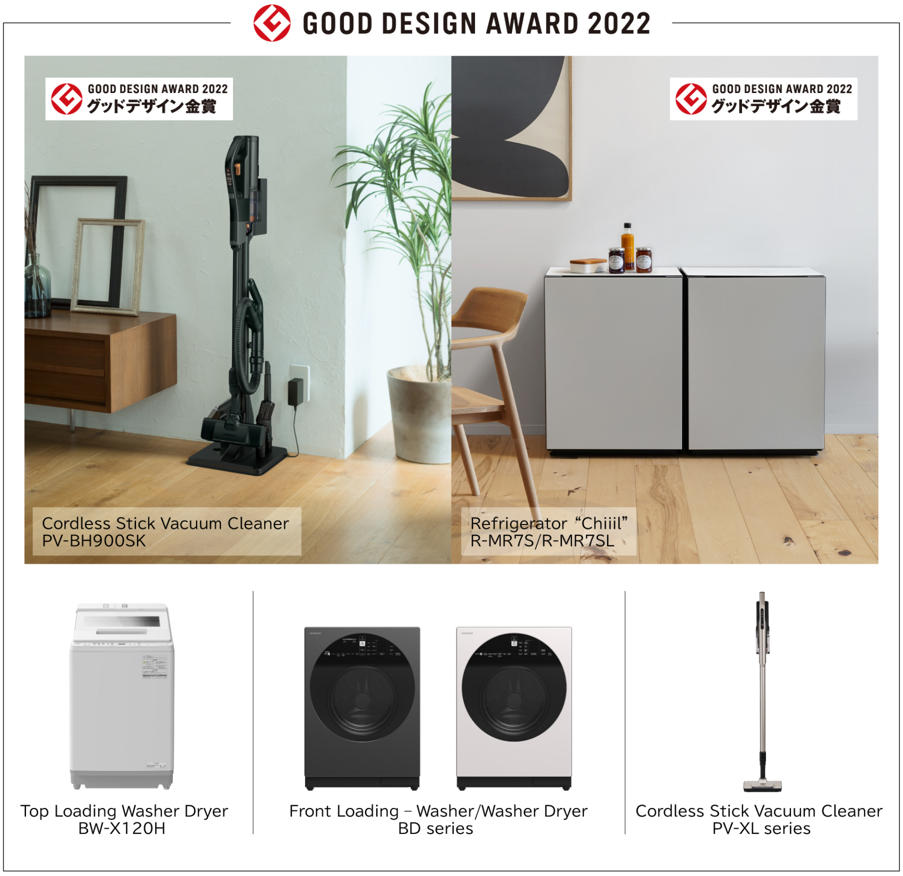
(v) Received the 69th Okochi Memorial Production Prize and the METI Minister's Prize at the 9th Monodzukuri Nippon Grand Awards, for the development and improved precision of the CG7300 SEM for semiconductor length measurement (Connective Industries segment)

For developing and improving the precision of the CG7300, an extreme ultraviolet lithography era SEM for semiconductor length measurement SEM, we received the 69th Okochi Memorial Production Prize sponsored by the Okochi Memorial Foundation and the METI (Ministry of Economy, Trade and Industry) Minister's Prize at the 9th Monodzukuri Nippon Grand Awards sponsored by the METI. For the commercialization of the CG7300, we developed an objective lens that enables high-precision focus adjustment, electron beam shaking suppression technology, and electron beam shape correction digital processing technology in order to measure the dimensions of extremely small circuit patterns at the nanometer level. As a result, we succeeded in improving the accuracy of pattern size measurement differences (machine error) between individual devices by approximately 10% (machine error: 0.10 nm or less level) compared with conventional models, establishing the world's highest level of semiconductor pattern inspection technology. In the future we will continue to contribute to the sustainable development of the industry that supports cutting-edge manufacturing and Digital Society. (jointly awarded with Hitachi High-Tech Corporation)

CD-SEM CG7300

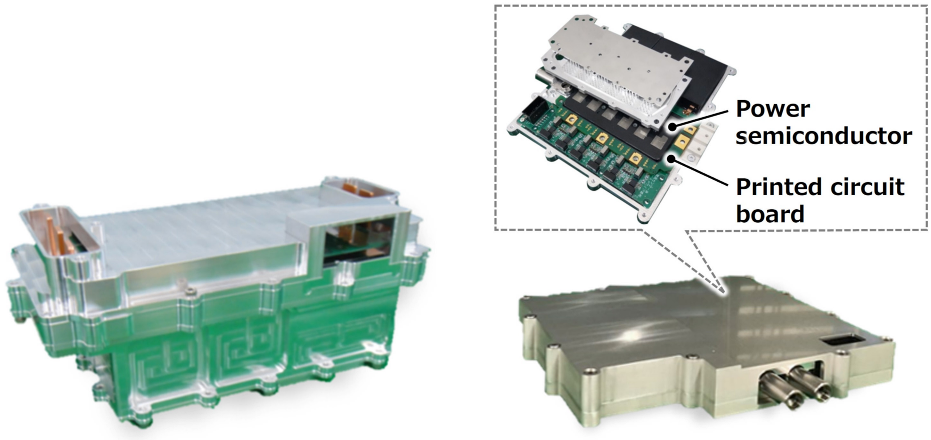
(vi) Five Hitachi Brand home appliance products won the Good Design Awards 2022 and two were simultaneously selected for the higher level Good Design Gold Award in a first for the Hitachi Group (Connective Industries segment).

Five Hitachi Brand home appliance products won the Good Design Awards 2022, which are sponsored by the Japan Institute of Design Promotion, and two of these products were selected for the Good Design Gold Award. The Good Design Gold Award went to the Power Boost Cyclone PV-BH900SK cordless stick vacuum cleaner, which uses more than 40% recycled plastic, and the Chiiil refrigerator, a new concept of refrigerator whose use can be tailored to a user's lifestyle and preferences. This is the first time for the Hitachi Group to achieve a double win of Good Design Gold Awards. The core design value that Hitachi home appliances should provide is a balance of "usability as a practical product" and "beauty that does not interfere with daily life." We will continue to be a part of people's lives and contribute to improving the quality of life each consumer. (jointly awarded with Hitachi Global Life Solutions, Inc.)



(vii) Developed thin inverter technology for EVs that is both compact and energy-efficient (Automotive Systems segment)

As a power inverter for EVs (hereinafter “inverter”), we have developed the base technologies for a thin inverter that is both energy efficient and compact. By integrating the power semiconductors that control the power supply with the printed circuit board, the power wiring has been simplified and the energy loss generated when the power semiconductors are switched is reduced by 30% compared with conventional products. The size of the device has also been roughly halved. In addition, the new structure eliminates the need for welding processes for power semiconductors and power wiring, reducing the number of parts and the processes required for assembly, thereby reducing CO2 emissions throughout the life cycle of the inverter, including the production process. We will continue to work toward the practical application of this technology, utilizing the Green Innovation Fund project promoted by NEDO (New Energy and Industrial Technology Development Organization), and contribute to the realization of a carbon-neutral society (co-developed with Hitachi Astemo, Ltd.).



Conventional inverter (volume: 3L)

Proposed thin-type inverter (volume: 1.5L)

(viii) Accelerated collaboration with academia to realize a decarbonized society and circular economy (Corporate Items)

We have partnered with Imperial College London to create a new research centre for decarbonisation and natural climate solutions. Rapid decarbonisation is essential to mitigate the impacts of climate change, which will require a transformation of industry sectors and lifestyles. Natural environment systems must also be protected as they provide essential services, such as provisioning food and clean water and removing CO2 from the atmosphere. In response, the centre will focus on two key areas: decarbonisation and climate repair, where initial projects will evaluate pathways for reducing CO2 emissions through direct air capture (DAC) and optimising nature conservation so as to identify the necessary transition to be made by society.

We also established the Hitachi-AIST Circular Economy Cooperative Research Laboratory, a joint research center with the National Institute of Advanced Industrial Science and Technology (AIST), with the aim of realizing a circular economy-based society. Experts in life cycle assessment, resource recovery, manufacturing, service engineering and other fields will come together to promote joint research on the ideal society, necessary rules, and solutions for a circular economy-based society in which resources are used efficiently throughout the entire value chain across industry.

We will accelerate its collaboration with universities and research institutions in Japan and overseas, aiming to realize a sustainable society and contribute to decarbonization.

III. Property, Plants and Equipment

1. Summary of Capital Investment, etc.

The Hitachi Group (the Company and consolidated subsidiaries) selectively invests in R&D and product fields expected to grow over the long term, and it also invests to streamline manufacturing process, etc. and to improve the reliability of its products and services.

Capital investment (based on the amount recorded as tangible fixed assets and the investment property) in the fiscal year ended March 31, 2023 was 349.7 billion yen. A breakdown of capital investment by segment is as follows.

Segment	Capital investment (Billions of yen)	Change from preceding fiscal year (%)	Main purpose of investment
Digital Systems & Services	64.9	101	Product development, Maintenance and renewal of data center equipment
Green Energy & Mobility	72.5	109	Facility of production for power grid products, Facility of production for railway systems
Connective Industries	61.2	98	Manufacturing facilities for industrial products, Increase development and production of semiconductor processing and inspection equipment, and measurement and analytical systems, Facility of production for building systems, Streamline development and production of other products
Automotive Systems	66.6	77	Increase production of automotive equipment
Hitachi Construction Machinery	29.8	69	Streamline of production for construction machinery
Hitachi Metals	20.1	60	Streamline production of specialty steel products and functional components and equipment, Increase production of magnetic materials, power electronics materials and applications, wires, cables and related products, etc.,
Others	21.1	123	Renovate offices, R&D facilities
Corporate Items & Eliminations	12.9	86	-
Total	349.7	90	-

(Notes) 1. The figures in the above table include the amount of the right-of-use assets and the investment property each of which is recorded as tangible fixed assets and other non-current assets, respectively.

2. These investments were mostly financed with the Hitachi Group’s own capital.

2. Major Property, Plants and Equipment

The Hitachi Group (the Company and consolidated subsidiaries) engages in diverse business operations in Japan and overseas. It discloses information on major property, plants and equipment represented in breakdown by segment and major facilities of the Company and consolidated subsidiaries.

The situation at the end of the fiscal year ended March 31, 2023 is as follows.

(1) Breakdown by Segment

(As of March 31, 2023)

Segment	Book value (Millions of yen)								Number of employees
	Land [Area in thousands of m^2]	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use Assets	Other	Construction in progress	Total	
Digital Systems & Services	7,015 [735]	60,619	36,866	42,968	85,812	12,272	2,995	248,547	100,763
Green Energy & Mobility	35,385 [12,253]	110,193	118,236	31,033	53,640	48	61,417	409,952	60,180
Connective Industries	35,451 [5,066]	154,171	57,887	42,075	44,243	-	14,711	348,538	81,883
Automotive Systems	52,231 [9,948]	125,679	277,526	27,510	23,092	12	49,310	555,360	64,372
Hitachi Construction Machinery	- [-]	-	-	-	-	-	-	-	-
Hitachi Metals	- [-]	-	-	-	-	-	-	-	-
Others	21,666 [1,448]	52,018	2,759	10,839	34,444	-	1,124	122,850	12,044
Subtotal	151,748 [29,450]	502,680	493,274	154,425	241,231	12,332	129,557	1,685,247	319,242
Corporate Items & Eliminations	(10,455) [1,016]	20,110	121	3,643	1,701	-	104	15,224	3,283
Total	141,293 [30,466]	522,790	493,395	158,068	242,932	12,332	129,661	1,700,471	322,525

(2) The Company

(As of March 31, 2023)

Facility (Main location)	Segment	Details of major facilities and equipment	Book value (Millions of yen)								Number of employees
			Land [Area in thousands of m^2]	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use Assets	Other	Construction in progress	Total	
Financial Institutions Business Unit, Social Infrastructure Systems Business Unit and Digital Systems & Services Division (Kawasaki, Kanagawa)	Digital Systems & Services	System development facilities, manufacturing facilities for servers, mainframes, etc.	607 [40]	30,254	115	16,096	22,565	7,077	1,062	77,778	10,705
Head Office (Chiyoda-ku, Tokyo)	Corporate	Other facilities	5,225 [963]	10,274	112	1,963	21,694	-	10	39,280	1,187
Research & Development Group (Kokubunji, Tokyo)	Others	R&D facilities	6,063 [776]	18,427	964	3,124	2,144	-	204	30,929	2,231
Railway Systems Business Unit (Kudamatsu, Yamaguchi)	Green Energy & Mobility	Manufacturing facilities for railway vehicles, etc.	1,013 [666]	14,033	4,855	649	3,876	-	852	25,281	2,707
Nuclear Energy Business Unit and Energy Business Unit (Hitachi, Ibaraki)	Green Energy & Mobility	Manufacturing facilities for power generating equipment, etc.	9,143 [3,057]	5,164	41	939	1,173	-	353	16,816	994
Corporate Hospital Group (Hitachi, Ibaraki)	Corporate	Medical facilities	63 [53]	10,549	7	1,502	33	-	94	12,251	1,825
Services & Platforms Business Unit (Hitachi, Ibaraki)	Digital Systems & Services	Manufacturing facilities for industrial machinery and plants, switchboards and calculation control equipment, system development facilities	521 [202]	6,647	563	2,183	1,898	0	307	12,122	4,358
IT Strategy & Digital Integration Division (Chiyoda-ku, Tokyo)	Others	System development facilities	- [-]	1,431	0	5,150	-	-	107	6,689	502
Healthcare Business Division (Minato-ku, Tokyo)	Connective Industries	Manufacturing facilities for medical equipment	1,024 [10]	703	157	708	1,418	-	951	4,963	678
Building Systems Business Unit (Hitachinaka, Ibaraki)	Connective Industries	Facility of production for building systems	43 [476]	3,206	49	23	-	-	-	3,322	237

(3) Domestic subsidiaries

(As of March 31, 2023)

Facility (Main location)	Segment	Details of major facilities and equipment	Book value (Millions of yen)								Number of employees
			Land [Area in thousands of m^2]	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use Assets	Other	Construction in progress	Total	
Hitachi Astemo, Ltd. (Hitachinaka, Ibaraki)	Automotive Systems	Manufacturing facilities for automotive equipment	20,841 [3,335]	42,033	70,966	7,221	6,389	-	4,419	151,869	16,133
Hitachi High-Tech Corporation, Naka Area (Hitachinaka, Ibaraki)	Connective Industries	Manufacturing facilities for semiconductor processing equipment and test and measurement equipment, etc.	2,116 [241]	27,169	7,893	12,858	808	-	903	51,747	3,232
Hitachi Global Life Solutions, Inc., Taga Works (Hitachi, Ibaraki)	Connective Industries	Manufacturing facilities for Home appliances	339 [649]	4,330	4,595	4,532	6	-	581	14,386	1,122
Hitachi Building Systems Co., Ltd., Head Office (Chiyoda-ku, Tokyo)	Connective Industries	Other facilities	3,980 [54]	5,643	341	1,092	-	-	164	11,621	1,495
Hitachi Astemo Electric Motor Systems, Ltd. (Hitachinaka, Ibaraki)	Automotive Systems	Manufacturing facilities for automotive equipment	- [-]	881	10,434	167	3	-	3	11,488	373
Hitachi Real Estate Partners, Ltd., Hitachi Rectship Totsuka (Yokohama, Kanagawa)	Others	Rent office	- [-]	10,967	24	260	-	-	-	11,251	-
Hitachi High-Tech Corporation, Kasado Area (Kudamatsu, Yamaguchi)	Connective Industries	Manufacturing facilities for semiconductor processing equipment, etc.	321 [15]	2,136	5,588	2,105	239	-	682	11,071	604
Hitachi Information Engineering, Ltd., Systemplaza Yokohama (Yokohama, Kanagawa)	Digital Systems & Services	Data center	- [-]	5,449	-	113	4,877	-	3	10,443	420
Hitachi Astemo Hanshin, Ltd. (Sanda, Hyogo)	Automotive Systems	Manufacturing facilities for automotive equipment	1,959 [67]	2,959	3,126	321	12	-	158	8,535	340
Hitachi Astemo Ueda, Ltd. (Ueda, Nagano)	Automotive Systems	Manufacturing facilities for automotive equipment	1,104 [792]	2,088	3,347	123	1,688	-	86	8,436	640

(4) Overseas subsidiaries

(As of March 31, 2023)

Subsidiary (Main location)	Segment	Details of major facilities and equipment	Book value (Millions of yen)								Number of employees
			Land [Area in thousands of m^2]	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use Assets	Other	Construction in progress	Total	
Hitachi Energy Ltd (Zurich, Switzerland)	Green Energy & Mobility	Manufacturing facilities for power grid products, etc.	15,879 [2,338]	62,933	105,618	14,507	41,305	-	50,109	290,351	39,995
Hitachi Vantara LLC (California, U.S.A.)	Digital Systems & Services	Other facilities	- [-]	-	18,794	14,551	20,779	2,001	-	56,125	13,933
Hitachi Astemo Americas, Inc. (Kentucky, U.S.A.)	Automotive Systems	Manufacturing facilities for automotive equipment	569 [1,320]	10,202	14,675	1,109	770	-	7,667	34,992	4,149
Hitachi Astemo Mexico, S.A. de C.V. (Querétaro, Mexico)	Automotive Systems	Manufacturing facilities for automotive equipment	3,712 [426]	5,679	23,616	930	-	-	1,043	34,980	4,033
Hitachi Astemo Netherlands B.V. (Eindhoven, Netherlands)	Automotive Systems	Manufacturing facilities for automotive equipment	- [-]	8,053	15,456	1,263	1,327	-	6,638	32,737	5,811

(Note) The figures for Hitachi Energy Ltd, Hitachi Vantara LLC and Hitachi Astemo Netherlands B.V. are presented in consolidated basis of each company.

3. Plans for Capital Investment, Disposals of Property, Plants and Equipment, etc.

The Hitachi Group (the Company and consolidated subsidiaries) engages in diverse operations in Japan and overseas, and has not decided on specific plans to newly install or expand each of facilities as of the end of the fiscal year. Therefore, it discloses amounts of capital investment by segment.

The amount of capital investment for the fiscal year ending March 31, 2024 will be 310.0 billion yen (new installation and expansions, based on the amount recorded as tangible fixed assets and the investment property), and a breakdown by segment is as follows.

Segment	Amount (Billions of yen)	Main purpose of investment
Digital Systems & Services	67.0	Product development, data center maintenance and updates
Green Energy & Mobility	99.0	Facility of production for power grid products, Facility of production for railway systems
Connective Industries	80.0	Manufacturing facilities for industrial products, Increase development and production of semiconductor processing and inspection equipment, and measurement and analytical systems, Facility of production for building systems, Streamline development and production of other products
Automotive Systems	40.0	Increase production of automotive equipment
Others	22.0	Renovate offices, R&D facilities
Corporate Items & Eliminations	2.0	-
Total	310.0	-

(Notes) 1. The figures in the above table include the amount of the right-of-use assets and the investment property, each of which is recorded as property, plant and equipment and other non-current assets, respectively.

2. These planned investments are expected to be mostly financed with the Hitachi Group’s own capital.

3. There are no plans to dispose or sell principal facilities, with the exception of disposing and selling facilities due to routine upgrading.

IV. Information on the Company

1. Information on the Company's Stock, etc.

(1) Total number of shares, etc.

1) Total number of shares

Class	Total number of shares authorized to be issued (shares)
Common stock	2,000,000,000
Total	2,000,000,000

2) Issued shares

Class	Number of shares issued as of the end of fiscal year (shares) (March 31, 2023)	Number of shares issued as of the filing date (shares) (Note) (June 21, 2023)	Stock exchange on which the Company is listed	Description
Common stock	938,083,077	938,241,277	Tokyo, Nagoya	The number of shares per one unit of shares is 100 shares.
Total	938,083,077	938,241,277	–	–

(Note) The "Number of shares issued as of the filing date" does not include shares issued upon exercise of stock acquisition rights from June 1, 2023 to the filing date.

(2) Information on the stock acquisition rights, etc.

1) Details of stock option plans

Name	The First Stock Acquisition Rights of Hitachi, Ltd. (Note 1)	The Second Stock Acquisition Rights of Hitachi, Ltd. (Note 1)	The Third Stock Acquisition Rights of Hitachi, Ltd. (Note 1)
Date of resolution	June 29, 2016	April 6, 2017	April 11, 2018
Category and number of person to whom stock acquisition rights are granted	31 Executive Officers of the Company 42 Corporate Officers of the Company	33 Executive Officers of the Company 37 Corporate Officers of the Company	33 Executive Officers of the Company 35 Corporate Officers of the Company
Number of stock acquisition rights	6,570 [5,994]	7,018 [6,508]	7,279 [6,879]
Class, detail and number of shares to be issued upon exercise of stock acquisition rights	Common stock 131,400 shares [119,880 shares] (Note 2)	Common stock 140,360 shares [130,160 shares] (Note 2)	Common stock 145,580 shares [137,580 shares] (Note 2)
Amount to be paid in upon exercise of stock acquisition rights	¥1 per share	¥1 per share	¥1 per share
Exercise period of stock acquisition rights	From July 15, 2016 to July 14, 2046	From April 27, 2017 to April 26, 2047	From April 27, 2018 to April 26, 2048
Issue price for shares issued upon exercise of stock acquisition rights and amount of capitalization	Issue price: ¥1,345 (Note 3) Amount of capitalization: (Note 4)	Issue price: ¥1,843 (Note 3) Amount of capitalization: (Note 4)	Issue price: ¥2,431 (Note 3) Amount of capitalization: (Note 4)
Conditions for the exercise of stock acquisition rights	(Note 5, 6)	(Note 5, 6)	(Note 5, 6)
Matters regarding acquisition of stock acquisition rights through transfer	Acquisition of stock acquisition rights through transfer shall be subject to the approval of the Board of Directors.	Acquisition of stock acquisition rights through transfer shall be subject to the approval of the Board of Directors.	Acquisition of stock acquisition rights through transfer shall be subject to the approval of the Board of Directors.
Matters regarding substitute payment	—	—	—
Matters regarding grant of stock acquisition rights upon organizational restructuring	(Note 7)	(Note 7)	(Note 7)

(Notes) 1. The information is that as of the end of fiscal year (March 31, 2023). The number of stock acquisition rights and the number of shares to be issued upon exercise of stock acquisition rights in brackets in the lower row is information as of the end of the last month ended before the filing date (May 31, 2023). With regard to the other items, there is no change from the information as of the end of fiscal year.

2. If the Company implements a stock split (including gratis allotment of shares of common stock; the same shall apply to references to a stock split hereinafter) or a reverse stock split with respect to common stock of the Company after the date of allotment of the stock acquisition rights, the Number of Shares to be Issued with respect to the stock acquisition rights not exercised at that time will be adjusted in accordance with following formula:

$$\text{Number of Shares to be Issued after adjustment} = \text{Number of Shares to be Issued before adjustment} \times \text{Ratio of stock split or reverse stock split}$$

In addition, if there is an unavoidable ground requiring an adjustment of the Number of Shares to be Issued, the Number of Shares to be Issued may be adjusted to the extent necessary by a resolution of the Board of Directors.
Any fractions of less than one share resulting from the adjustment will be rounded down.

3. Issue price for shares issued upon exercise of stock acquisition rights is the sum of the amount to be paid in upon exercise of each of the stock acquisition rights (¥1 per share) and the fair value of each of the stock acquisition right as calculated at the date of allotment.
4. The amount of common stock to be increased upon issuing shares through the exercise of stock acquisition rights shall be one half of the maximum amount of common stock, etc. to be increased calculated in accordance with Article 17, Paragraph 1 of the Ordinance on Company Accounting. Any fractions of less than one yen resulting from the calculation shall be rounded up to the nearest yen.
5. A holder of stock acquisition rights may exercise all the stock acquisition rights together only within 10 days (in case the last day is not a business day, the following business day) from the day immediately following the date on which he/she ceases to be an Executive Officer, a Director or a Corporate Officer of the Company.
6. The number of stock acquisition rights which a holder of stock acquisition rights may exercise shall be determined based on the ratio of (i) the total shareholder return for shares of Hitachi for three years from the beginning of the fiscal year in which the date of allotment of the stock acquisition rights falls to (ii) the growth rate of TOPIX (Tokyo Stock Price Index) for the same period (the "TSR/TOPIX Growth Rate Ratio"), in accordance with the stock price conditions:
   a. In case the TSR/TOPIX Growth Rate Ratio is 120% or more
      All the stock acquisition rights allotted (the "Allotted Rights") may be exercised.
   b. In case the TSR/TOPIX Growth Rate Ratio is 80% or more but less than 120%
      Only a part of the Allotted Rights may be exercised according to the degree of the TSR/TOPIX Growth Rate Ratio (*).

$$\text{*Number of stock acquisition rights exercisable} = \text{Number of Allotted Rights} \times \{(\text{TSR/TOPIX Growth Rate Ratio} \times 1.25) - 0.5\}$$

      Any fraction less than one stock acquisition right will be rounded down.
   c. In case the TSR/TOPIX Growth Rate Ratio is less than 80%
      No Allotted Rights may be exercised.
7. In the event that the Company engages in a merger (only if the Company is to be dissolved as a result of the merger), an absorption-type company split or incorporation-type company split (in each case, only if the Company is to be a split company), or share exchange or share transfer (in each case, only if the Company is to be a wholly-owned subsidiary) (hereafter all of which are collectively referred to as "Corporate Reorganization"), then stock acquisition rights for the entities specified under Article 236, Paragraph 1, Item 8 (a) through (e) of the Companies Act (such entity hereinafter referred to as the "Reorganized Company") shall be issued to the Stock Acquisition Right Holders holding stock acquisition rights remaining in effect (the "Remaining Stock Acquisition Rights") immediately prior to the effective date of the Corporate Reorganization (hereinafter respectively referring to an effective date of absorption-type merger in case of an absorption-type merger, a date of incorporation of a company incorporated through a consolidation-type merger in case of a consolidation-type merger, an effective date of absorption-type company split in case of an absorption-type company split, a date of incorporation of a company incorporated through an incorporation-type company split in case of an incorporation-type company split, an effective date of a share exchange in case of a share exchange, or a date of incorporation of a wholly owning parent company incorporated through share transfer). However, these stock acquisition rights shall be granted only if provisions for issuing the stock acquisition rights of the Reorganized Company in accordance with the following conditions are included in an absorption-type merger agreement, a consolidation-type merger agreement, an absorption-type company split agreement, an incorporation-type company split plan, a share exchange agreement, or a share transfer plan.
   (1) The number of stock acquisition rights of the Reorganized Company to be issued
      The number of stock acquisition rights equal to the number of Remaining Stock Acquisition Rights held by respective Stock Acquisition Right Holders shall be issued.
   (2) The class of shares of the Reorganized Company to be issued upon exercise of stock acquisition rights
      Common shares of the Reorganized Company shall be issued.
   (3) The number of shares of the Reorganized Company to be issued upon exercise of stock acquisition rights
      The number shall be determined in accordance with terms and conditions of Remaining Stock Acquisition Rights, taking into account the conditions and other factors concerning Corporate Reorganization.
   (4) Amount of assets to be contributed upon the exercise of stock acquisition rights
      The amount of assets contributed upon the exercise of stock acquisition rights to be issued shall be amount derived by multiplying the amount to be paid in per share to be delivered upon exercise of stock acquisition rights of the Reorganized Company (the "Post-reorganization Exercise Price") prescribed below by the number of shares of the Reorganized Company to be issued determined in accordance with paragraph (3) of this section. The Post-Reorganization exercise price shall be one yen.
   (5) Exercise period of stock acquisition rights
      The exercise period of stock acquisition rights shall be from the later of the first day of the exercise period of stock acquisition rights or the effective date of the Corporate Reorganization to the expiration date of the exercise period of stock acquisition rights.
   (6) Matters concerning common stock and capital reserve to be increased due to the issuance of shares upon the exercise of stock acquisition rights
      The matters shall be determined in accordance with terms and conditions of Remaining Stock Acquisition Rights.
   (7) Restrictions on acquisition of stock acquisition rights through transfer
      The acquisition of stock acquisition rights through transfer shall be subject to the approval of the Reorganized Company.
   (8) Conditions for the exercise of stock acquisition rights
      The matters shall be determined in accordance with terms and conditions of Remaining Stock Acquisition Rights.
   (9) Matters concerning the acquisition of stock acquisition rights
      The matters shall be determined in accordance with terms and conditions of Remaining Stock Acquisition Rights.

2) Details of shareholder right plans

Not applicable.

3) Details of other stock acquisition rights, etc.

Not applicable.

(3) Information on moving strike convertible bonds, etc.

Not applicable.

(4) Changes in the total number of issued shares and the amount of common stock and other

Date		Change in the total number of issued shares (shares)	Balance of the total number of issued shares (shares)	Change in common stock (Millions of yen)	Balance of common stock (Millions of yen)	Change in capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
From April 1, 2018 to March 31, 2019		-	966,692,677	-	458,790	-	176,757
May 31, 2019	(Note 1)	587,800	967,280,477	1,072	459,862	1,072	177,828
From April 1, 2019 to March 31, 2020		-	967,280,477	-	459,862	-	177,828
May 27, 2020	(Note 2)	604,800	967,885,277	928	460,790	928	178,756
From April 1, 2020 to March 31, 2021		-	967,885,277	-	460,790	-	178,756
June 15, 2021	(Note 3)	349,600	968,234,877	941	461,731	941	179,697
From April 1, 2021 to March 31, 2022		-	968,234,877	-	461,731	-	179,697
June 15, 2021	(Note 4)	337,000	968,571,877	1,086	462,817	1,086	180,783
December 14, 2021	(Note 5)	(30,488,800)	938,083,077	-	462,817	-	180,783
From April 1, 2022 to March 31, 2023		-	938,083,077	-	462,817	-	180,783

(Notes) 1. This increase is due to the issuance of new shares as restricted stock compensation.
Issue price: 3,647 yen per share
Amount by which stated capital is to be increased: 1,823.5 yen per share
Allottees: 37 Executive Officers of the Company and 34 Corporate Officers of the Company

2. This increase is due to the issuance of new shares as restricted stock compensation.
Issue price: 3,067 yen per share
Amount by which stated capital is to be increased: 1,533.5 yen per share
Allottees: 31 Executive Officers of the Company and 33 Corporate Officers of the Company

3. This increase is due to the issuance of new shares as restricted stock compensation.
Issue price: 5,384 yen per share
Amount by which stated capital is to be increased: 2,692 yen per share
Allottees: 31 Executive Officers of the Company and 35 Corporate Officers of the Company

4. This increase is due to the issuance of new shares as restricted stock compensation.
Issue price: 6,448 yen per share
Amount by which stated capital is to be increased: 3,224 yen per share
Allottees: 35 Executive Officers of the Company, 34 Corporate Officers of the Company and 5 Directors of the consolidated subsidiaries.

5. The change in the total number of issued shares is due to the cancellation of treasury stock.

6. The Company issued its new shares on May 31, 2023. The total number of issued shares, common stock and capital reserve increased 158,200 shares, 600 million yens and 600 million yens respectively.

(5) Shareholders composition

(As of March 31, 2023)

Class of shareholders	Status of shares (one unit of stock: 100 shares)								Number of shares less than one unit (shares)
	Government and municipality	Financial institution	Financial instruments business operator	Other institution	Foreign corporations, etc.		Individuals and others	Total	
					Non-individuals	Individuals			
Number of shareholders	3	179	66	2,234	1,139	151	213,906	217,678	-
Share ownership (units)	110	3,186,976	250,814	117,951	4,324,784	1,570	1,476,105	9,358,310	2,252,077
Ownership percentage of shares (%)	0.00	34.06	2.68	1.26	46.21	0.02	15.77	100.00	-

(Notes) 1. Of 510,830 shares of treasury stock, 5,108 units are included in the “Individuals and others” column, while 30 shares are included in the “Number of shares less than one unit” column.
2. Of the shares registered in the name of Japan Securities Depository Center, Incorporated (account for managing stocks whose shareholders have not transferred titles), 53 units are included in the “Other institution” column and 65 shares are included in the “Number of shares less than one unit” column.

(6) Major shareholders

(As of March 31, 2023)

Name	Address	Share Ownership (shares)	Ownership percentage to the total number of issued shares (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	170,613,800	18.20
Custody Bank of Japan, Ltd. (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	62,533,350	6.67
State Street Bank and Trust Company 505223 (Standing proxy: Mizuho Bank, Ltd.)	P.O. Box 351, Boston, Massachusetts 02101 U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	24,766,482	2.64
GOVERMENT OF NORWAY (Standing proxy: Citibank, N.A.)	Bankplassen 2, 0107 Oslo 1 Oslo 0107 NO (27-30, Shinjuku 6-chome, Shinjuku-ku, Tokyo)	24,582,891	2.62
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda- ku, Tokyo	20,000,099	2.13
Hitachi Employees' Shareholding Association	6-6, Marunouchi 1-chome, Chiyoda- ku, Tokyo	19,674,086	2.10
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited)	One Lincoln Street, Boston MA USA 02111 (11-1, Nihombashi 3-chome, Chuo-ku, Tokyo)	19,566,283	2.09
NATS CUMCO (Standing proxy: Mizuho Bank, Ltd.)	C/O Citibank, New York 111 Wall Street, New York, NY, U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	17,331,942	1.85
State Street Bank West Client - Treaty 505234 (Standing Proxy: Mizuho Bank, Ltd.)	1776 Heritage Drive, North Quincy, MA 02171, U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	17,147,487	1.83
JP Morgan Chase Bank 385632 (Standing proxy: Mizuho Bank, Ltd.)	25 Bank Street, Canary Wharf, London, E14 5JP, United Kingdom (15-1, Konan 2-chome, Minato-ku, Tokyo)	14,748,517	1.57
Total	-	390,964,937	41.70

(Notes) 1. NATS CUMCO is the nominee name of the depositary bank, Citibank, N.A., for the aggregate of the Company’s American Depositary Receipts (ADRs) holders.

2. Some reports on substantial shareholdings regarding the Company under the Financial Instruments and Exchange Act are available for public inspection. However, the information in the reports is not described in the above table since the Company does not confirm the actual status of shareholdings as of March 31, 2023. The major contents of the reports are as follows. On October 1, 2018, the Company completed the share consolidation of every five shares into one share for its common stock. The reports whose date on which the duty to file report is prior to the effective date of the share consolidation show the number of shares before the share consolidation.

Holders	BlackRock Japan Co. Ltd and seven other persons
Date on which the duty to file report	April 14, 2017
Number of shares	304,755,969 shares
Ownership percentage to the total number of issued shares	6.31%

Holders	Sumitomo Mitsui Trust Asset Management Co., Ltd. and one other person
Date on which the duty to file report	March 15, 2022
Number of shares	58,850,673 shares
Ownership percentage to the total number of issued shares	6.08%

(7) Information on voting rights

1) Issued shares

(As of March 31, 2023)

Classification	Number of shares (shares)		Number of voting rights	Description
Shares without voting right		—	—	—
Shares with restricted voting right (treasury stock, etc.)		—	—	—
Shares with restricted voting right (others)		—	—	—
Shares with full voting right (treasury stock, etc.)	Common stock	541,900	—	—
Shares with full voting right (others)	Common stock	935,289,100	9,352,891	—
Shares less than one unit	Common stock	2,252,077	—	—
Number of issued shares		938,083,077	—	—
Total number of voting rights		—	9,352,891	—

(Note) The "Shares with full voting right (others)" column includes 5,300 shares registered in the name of Japan Securities Depository Center, Incorporated (account for managing stocks whose shareholders have not transferred titles) and 53 voting rights for those shares.

2) Treasury stock, etc.

(As of March 31, 2023)

Name of shareholder	Address	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total shares held (shares)	Ownership percentage to the total number of issued shares (%)
Hitachi, Ltd.	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	510,800	—	510,800	0.05
SAITA KOUGYOU CO., LTD.	5-3, Takinogawa 5-chome, Kita-ku, Tokyo	17,600	—	17,600	0.00
Nitto Jidosha Kiki K.K.	3268, Nagaoka, Ibarakimachi, Higashiibaraki-gun, Ibaraki	10,500	—	10,500	0.00
Mizuho Co., Inc.	28-8, Honkomagome 2-chome, Bunkyo-ku, Tokyo	3,000	—	3,000	0.00
Total	—	541,900	—	541,900	0.06

2. Information on Acquisition, etc. of Treasury Stock

Class of shares

Acquisition of common stock under Article 155, Item 3, 7 and 13 of the Companies Act

(1) Acquisition of treasury stock resolved at the general meeting of shareholders

Not applicable.

(2) Acquisition of treasury stock resolved at the Board of Directors meetings

Acquisition of common stock under Article 155, Item 3

Classification	Number of shares (shares)	Total amount (yen)
Resolution details on Board of Directors（April 28,2022）（Note）（Acquisition period From May 2, 2022 to March 31, 2023）	50,000,000(maximum)	200,000,000,000(maximum)
Treasury stock acquired before the fiscal year	―	―
Treasury stock acquired during the fiscal year	29,983,800	199,999,720,349
Total number and total value of remaining shares to be acquired by the resolution	20,016,200	279,651
Unexercised rate as of the end of the fiscal year (%)	40.0	0.0
Treasury stock acquired during the current period	―	―
Unexercised rate as of the filing date (%)	40.0	0.0

(Note) The Board of Directors has resolved that the method of acquisition would be market purchase on the Tokyo Stock Exchange.

Classification	Number of shares (shares)	Total amount (yen)
Resolution details on Board of Directors（April 27,2023）（Note 1）（Acquisition period From April 28, 2023 to March 31, 2024）	20,000,000(maximum)	100,000,000,000(maximum)
Treasury stock acquired before the fiscal year	―	―
Treasury stock acquired during the fiscal year	―	―
Total number and total value of remaining shares to be acquired by the resolution	20,000,000	100,000,000,000
Unexercised rate as of the end of the fiscal year (%)	100.0	100.0
Treasury stock acquired during the current period (Note 2)	828,700	6,731,348,789
Unexercised rate as of the filing date (%)	95.9	93.3

(Notes) 1. The Board of Directors has resolved that the method of acquisition would be market purchase on the Tokyo Stock Exchange.

2. The number of treasury stock acquired due to requests to purchase stock less than one unit shares from June 1, 2023 to the filing date is not included.

(3) Details of acquisition of treasury stock not based on the resolutions of the general meeting of shareholders or the Board of Directors meetings

Acquisition of common stock under Article 155, Item 7 (Note 1)

Classification	Number of shares (shares)	Total amount (yen)
Treasury stock acquired during the fiscal year ended March 31, 2023	31,761	213,739,197
Treasury stock acquired during the current period (Note 2)	4,914	37,683,285

(Notes) 1. Acquisition of stock less than one unit shares due to purchase requests from shareholders under Article 192, Paragraph 1 of the Companies Act.

2. The number of treasury stock acquired due to requests to purchase stock less than one unit shares from June 1, 2023 to the filing date is not included.

Acquisition of common stock under Article 155, Item 13 (Note)

Classification	Number of shares (shares)	Total amount (yen)
Treasury stock acquired during the fiscal year ended March 31, 2023	69,200	-
Treasury stock acquired during the current period	19,400	-

(Note) Acquisition without consideration of a part of common stock allotted to the Company’s Executive Officers and Corporate Officers as restricted stock compensation (Article 27, Paragraph 1 of the Order for Enforcement of the Companies Act).

(4) Status of the disposition and holding of acquired treasury stock

Classification	Fiscal year ended March 31, 2023		Current period (Note)	
	Number of shares (shares)	Total disposition amount (yen)	Number of shares (shares)	Total disposition amount (yen)
Acquired treasury stock which was offered to subscribers	-	-	-	-
Acquired treasury stock which was canceled	30,488,800	199,417,789,272	-	-
Acquired treasury stock which was transferred due to merger, share exchange, share delivery or company split	-	-	-	-
Others (Acquired treasury stock which was transferred upon exercise of stock acquisition rights, and which was sold due to requests from shareholders holding shares less than one unit shares to sell additional shares)	83,852	258,208,117	29,792	206,436,630
Total number of treasury stock held	510,830	-	1,334,052	-

(Note) The followings are not included: the number of treasury stock which was transferred upon exercise of stock acquisition rights from June 1, 2023 to the filing date; the number of treasury stock which was sold due to requests from shareholders holding less than one unit shares to sell additional shares from June 1, 2023 to the filing date; the number of treasury stock acquired due to resolution at the Board of Directors meetings from June 1, 2023 to the filing date; and the number of treasury stock acquired due to purchase requests from shareholders holding stock less than one unit shares from June 1, 2023 to the filing date.

3. Dividend Policy

The Company views the return of profits to shareholders through enhancing corporate value from mid- to long-term perspective and paying dividends and repurchase of its shares as an important managerial issue.

The policy of the Company regarding dividends is to aim for stable payment of dividends while also securing funds necessary for investment, and the dividends are determined by comprehensively taking into account factors such as financial performance trends, the financial situation, and the dividend payout ratio.

The Company flexibly conducts repurchase of its shares depending on factors such as capital needs and the business environment.

In accordance with mid- to long-term management strategy, the Company utilize undistributed profits in areas such as M&A, research and development, and capital expenditure, in order to secure competitiveness and aim for growth of the business as global enterprise.

Based on the above policy, annual dividends of 145.0 yen per share were paid for the fiscal year ended March 31, 2023. It was resolved to pay interim dividends of 70.0 yen per share at the Board of Directors meeting held on October 28, 2022, resulting in the total amount of interim dividends of 66,277 million yen. In addition, it was resolved to pay year-end dividends of 75.0 yen per share at the Board of Directors meeting held on May 12, 2023, resulting in the total amount of year-end dividends of 70,317 million yen.

4. Corporate Governance, etc.

(1) Corporate governance

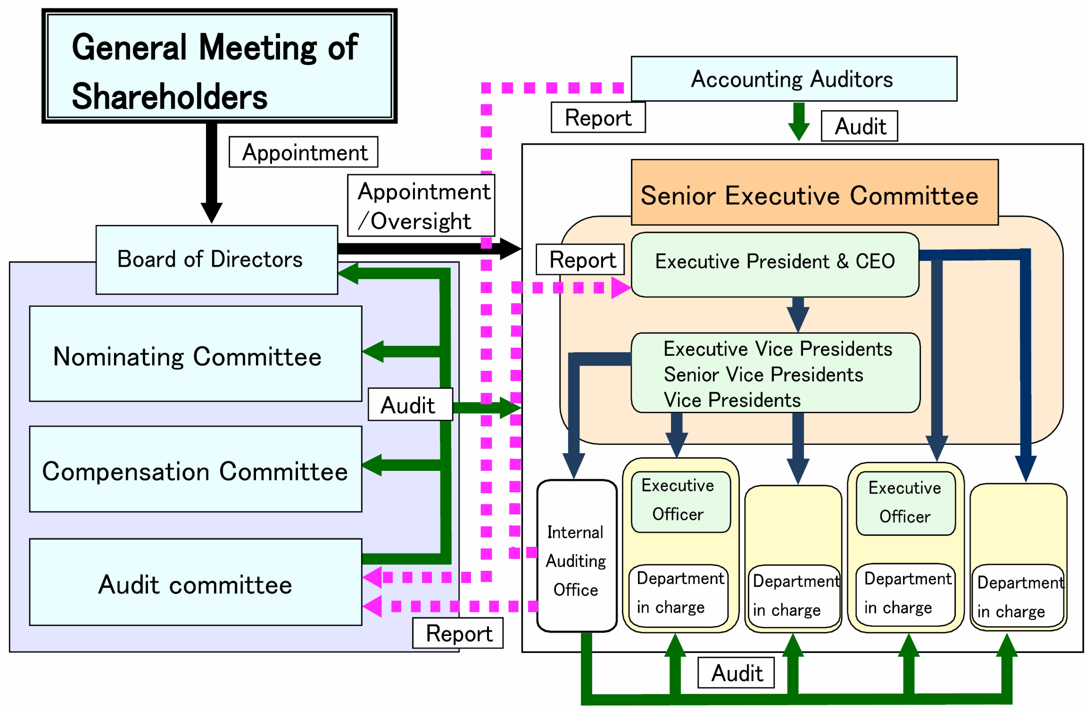
1) Basic policy about corporate governance

The Company considers growth of profits for shareholders and investors from long-term perspective as one of its important managerial objectives. As there are wide range of stakeholders for the Company and the Hitachi Group from shareholders and investors to customers and clients, the Company realizes that building good relationships with such stakeholders forms an important part of its corporate value.

The Company is a company with Nominating Committee, etc. under the Companies Act, aiming to establish a framework for quick business operation and to realize highly transparent management by separating responsibilities for management oversight and those for execution of business operations. The Company attempts to have appropriate composition of the Board of Directors aiming to ensure the effectiveness of management oversight function in addition to reflect global and various perspective to the management. The Company set the Corporate Governance Guidelines as basic framework of its corporate governance including functions of the Board of Directors.

In addition, the Company set the Hitachi Group Codes of Conduct as behavior disciplines to be shared among the Hitachi Group to generate common values for the Hitachi group and promote understanding of social responsibilities to be fulfilled by the Company.

Corporate Governance System of the Company



2) Outline of corporate organizations

<u>Board of Directors</u>

The Board of Directors approves basic management policy for the Hitachi Group and supervises the execution of the duties of Executive Officers and Directors in order to sustainably enhance corporate value and the shareholders' common interests. The basic management policy includes medium-term management plan and annual budget compilation. The Board of Directors focuses on strategic issues related to the basic management policy as well as other items to be resolved that are provided in laws, regulations, the Articles of Incorporation and Board of Directors Regulations.

With regard to the number of Directors and their election, the Company stipulates in its Articles of Incorporation that the Company shall have no more than 20 Directors. With regard to the adoption of resolution for the election of Directors, the Company stipulates in its Articles of Incorporation that the presence of shareholders representing one-third or more of the voting, that resolutions for the election of Directors shall be approved by attending shareholders possessing one-third or more of all voting rights of the shareholders who are entitled to exercise their votes, and that the resolution shall not be made by cumulative voting. As of June 21, 2023, the Board of Directors was made up of 12 Directors, and 9 of whom are Independent Directors* and two concurrently serve as Executive Officers.

* The "Independent Directors" in this report are the directors who fulfill the qualification requirements to be outside directors as provided by the Companies Act of Japan and also meet the independence criteria defined by the Company and those as provided by Japanese stock exchanges where the Company is listed, unless otherwise stated.

Within the Board of Directors, there are three statutory committees of the Nominating Committee, the Audit Committee and the Compensation Committee with Independent Directors accounting for the majority of members of each committee. The members of each committee are described in "(2) Directors and Senior Management - 1) Lists of directors and senior management - (a) Directors."

The Board of Directors meetings were held 9 days during the fiscal year ended March 31, 2023 (fiscal 2022). The attendance record of each Director during fiscal 2022 is as follows.

Name	Attendance / Number of days held the Board of Directors meetings (Note 1)	Attendance rate (Note 1)
Katsumi Ihara	9 days / 9 days	100%
Ravi Venkatesan	9 days / 9 days	100%
Cynthia Carroll	9 days / 9 days	100%
Ikuro Sugawara (Note 2)	7 days / 7 days	100%
Joe Harlan	9 days / 9 days	100%
George Buckley (Note 3)	2 days / 2 days	100%
Louise Pentland	9 days / 9 days	100%
Harufumi Mochizuki (Note 3)	2 days / 2 days	100%
Takatoshi Yamamoto	9 days / 9 days	100%
Hiroaki Yoshihara	9 days / 9 days	100%
Helmuth Ludwig	9 days / 9 days	100%
Toshiaki Higashihara	9 days / 9 days	100%
Keiji Kojima	9 days / 9 days	100%
Hideaki Seki	9 days / 9 days	100%

(Notes) 1. They are based on the days held the Board of Directors meetings during each member's term of office.
2. Mr. Sugawara was appointed on June 22, 2022.
3. Mr. Buckley and Mr. Mochizuki resigned on June 22, 2022.

During fiscal 2022, in addition to management plans and business strategies, the Board of Directors extensively discussed and deliberated on how to respond to group-wide risks, including the situation in Ukraine. In order to promote more lively discussion, the Board of Directors spends more time exchanging views on agenda items than explaining them.

In addition, the Company hold the Board of Directors meeting in countries closely related to the Hitachi Groups' business on an annual basis. In December 2022, the Company held the Board of Director meeting in California, U.S.A. At the meeting, which was held outside Japan for the first time in three years due to the COVID-19 pandemic, Directors discussed issues relevant to the region, as well as invited local experts to discuss the latest trends in infrastructure investment and human capital in the U.S.A. as a side event.

The Company is working to improve the effectiveness of the Board of Directors by enhancing opportunities to share information with Independent Directors through individual meetings, site visits, and other activities.

Furthermore, in order to assist with the duties of each Committee and the Bord of Directors, the Company organizes the Board of Directors Office. The Office is staffed with employees who exclusively serve the Office and are not subject to orders and instructions by Executive Officers. Part of them is allocated as the full-time auditors auditing the governance and risk management, etc. in

Digital Systems & Services, Green Energy & Mobility and Connective Industries sectors, as well as Automotive Systems business.

The Nominating Committee

The Nominating Committee has the authority to determine particular proposals submitted to the general meeting of shareholders for the election and dismissal of Directors, and consists of four Directors, three of whom are Independent Directors.

The Nominating Committee meetings were held 10 days during fiscal 2022. The attendance record of each member of the Nominating Committee during fiscal 2022 is as follows.

Name	Attendance / Number of days held the Nominating Committee (Note 1)	Attendance rate (Note 1)
Katsumi Ihara (Note 2)	8 days / 8 days	100%
Cynthia Carroll	9 days / 10 days	90%
Harufumi Mochizuki (Note 3)	2 days / 2 days	100%
Hiroaki Yoshihara	10 days / 10 days	100%
Toshiaki Higashihara	10 days / 10 days	100%

(Notes) 1. They are based on the days held the Nominating Committee during each member's term of office.
2. Mr. Ihara was appointed on June 22, 2022.
3. Mr. Mochizuki resigned on June 22, 2022.

During fiscal 2022, the Nominating Committee decided on the details of the proposal for the election of Directors to be submitted to the general meeting of shareholders, and received and confirmed a preliminary report on the structure of Executive Officers for fiscal 2023. In addition, in order to develop management-level leadership candidates, the members of the Nominating Committee made discussion and one-on-one interviews with leadership candidates.

The Audit Committee

The Audit Committee has the authority to audit the execution of duties of Directors and Executive Officers and to determine on proposals submitted to the general meeting of shareholders for the election and dismissal of accounting auditors, and consists of five Directors, including four Independent Directors and one standing Audit Committee member.

The members and activities of the Audit Committee are described in "(3) Audit - 1) Audit by the Audit Committee."

The Compensation Committee

The Compensation Committee has the authority to determine remuneration policies for Directors and Executive Officers and remuneration for individuals based on them. The Compensation Committee consists of four Directors, three of whom are Independent Directors.

The Compensation Committee were held 8 days during fiscal 2022. The attendance record of each member of the Compensation Committee during fiscal 2022 is as follows.

Name	Attendance / Number of days held the Compensation Committee (Note 1)	Attendance rate (Note 1)
Katsumi Ihara	8 days / 8 days	100%
Joe Harlan	8 days / 8 days	100%
Harufumi Mochizuki (Note 2)	2 days / 2 days	100%
Takatoshi Yamamoto	8 days / 8 days	100%
Keiji Kojima	8 days / 8 days	100%

(Notes) 1. They are based on the days held the Compensation Committee during each member’s term of office.
2. Mr. Mochizuki resigned on June 22, 2022.

During fiscal 2022, based on policies for determining compensation for Directors and Executive

Officers, the Compensation Committee determined amounts of remuneration for Directors and Executive Officers individually including short-term incentive compensation of Executive Officers in conjunction with which the Compensation Committee confirmed and reviewed the process and details of performance and individual target evaluations. In addition, in order to further strengthen links between global business growth and increase in medium- to long-term corporate value and compensation, the Compensation Committee re-examined the executive compensation system and decided on the policy for determining remuneration for Directors and Executive Officers' compensation. Details of compensation to Directors and Executive Officers of the Company are described in "(4) Compensation to Directors and Executive Officers."

Executive Officers

Executive Officers decide on matters delegated to them by the Board of Directors and execute the Company's business affairs within the scope of assignments determined by the Board of Directors. As of June 21, 2023, the Company has 38 Executive Officers (See "(2) Directors and Senior Management - 1) Lists of directors and senior management - (b) Executive Officers.")

The Company stipulates in its Articles of Incorporation that the Company shall have no more than 40 Executive Officers.

Senior Executive Committee

The Senior Executive Committee is a council to ensure that President deliberately decides on important managerial matters, which may affect the Company or the Hitachi Group business, through discussing from diverse viewpoints. It consists of 9 regular attendees as of June 21, 2023; President & CEO (Keiji Kojima), four Executive Vice President and Executive Officers (Masakazu Aoki, Yoshihiko Kawamura, Alistair Dormer and Toshiaki Tokunaga), three Senior Vice President and Executive Officers (Hidenobu Nakahata, Masahiko Hasegawa and Mamoru Morita) and one Vice President and Executive Officer (Kohei Kodama), and other attendees designated by the President.

In April 2022, the Company established the Growth Strategy Meeting, the Risk Management Meeting and Human Resource Strategy Meeting within the Senior Executive Committee. The Growth Strategy Meeting discusses and decides on matters related to the Hitachi Group's management strategy and accelerates the formulation of strategies necessary for its growth. The Risk Management Meeting discusses and decides on important matters related to group-wide risks, and aims to realize a solid management foundation in coordination with growth strategies through a centralized and cross-sectional understanding of risks. The Human Resource Strategy Meeting discusses and decides on matters necessary to foster the Hitachi Group's organization and culture as well as to secure and develop human resources, thereby supporting its further growth through the enhancement of human capital.

Summary of a limited liability agreement the directors' and officers' liability insurance agreement

The Company maintains a limited liability agreement stipulated in Article 427, Paragraph 1 of the Companies Act with each director (excluding Director who concurrently serves as an Executive Officer) The general intent of the agreement is to limit the liability of Directors to the aggregate amount stipulated in each item under Article 425, Paragraph 1 of the Companies Act.

In addition, the Company maintains a directors' and officers' liability insurance agreement stipulated in Article 430-3, Paragraph 1 of the Companies Act. The coverage of insured persons and outline of the insurance agreement are as follows.

i) Coverage of insured persons

The Company's Directors, Executive Officers and employees who work as officers at the company to which they are assigned and some domestic subsidiaries' directors, executive officers, corporate auditors and employees (including employees who work as officers at the company to which they are assigned).

ii) Outline of the insurance agreement

The agreement compensates damages, litigation costs, etc. incurred by an insured person as a result of a claim for damages due to an act or omission of the insured person as an executive of a company. However, the Company has taken measures to ensure that the appropriateness of the execution of duties by officers is not impaired by excluding compensation for intentional negligence of duties, illegal acquisition of private benefits, and damages resulting from criminal acts. The entire insurance costs are borne by the Company or its subsidiaries holding the insurance agreement.

3) Matters determined by resolution of the Board of Directors without resolution at the general meeting of shareholders pursuant to the provisions of the Articles of Incorporation

The Company stipulates in the Articles of Incorporation that it may, unless otherwise provided in the applicable laws, determine on matters specified in each item of Article 459, Paragraph 1 of the Companies Act by the resolution of the Board of Directors, without resolution at the general meeting of shareholders.

For the repurchase of the company's own shares (Article 459, Paragraph 1, Item 1 of the Companies Act), the Board of Directors shall determine on the matter in order to enable timely implementation of capital strategies.

Regarding reduction of capital reserve or earned surplus reserve (Article 459, Paragraph 1, Item 2 of the Companies Act), appropriation of surplus (excluding dividends of surplus and disposal of the property of the Company) (Article 459, Paragraph 1, Item 3 of the Companies Act) and dividends of surplus (Article 459, Paragraph 1, Item 4 of the Companies Act), since the Company was a company with committees as of the date of enforcement of the Companies Act, it was deemed that its Articles of Incorporation had stipulations that the Board of Directors was able to decide the above matters without resolution at the general meeting of shareholders and that it should not stipulate that such matters shall be resolved at the resolution of the general meeting of shareholders, in accordance with Article 57 of the Act on Arrangement of Relevant Acts Incidental to Enforcement of the Companies Act (July 26, 2005, Act No. 87). Even after the enforcement of the Companies Act, the Company has made it a rule to timely decide on these important business judgments by the Board of Directors to enhance the shareholders' common interests.

The Company has stipulated in its Articles of Incorporation that it may, by resolution of the Board of Directors, exempt any Director (including former Director) and Executive Officer (including former Executive Officer) from liabilities as provided Article 423, Paragraph 1 of the Companies Act to the extent as provided in laws or regulations.

4) Requirement for special resolution of the general meeting of shareholders

To enable to securely meet the quorum of the general meeting of shareholders under Article 309, Paragraph 2 of the Companies Act, the Company stipulates in its Articles of Incorporation that any resolution as provided in Article 309, Paragraph 2 of the Companies Act shall be adopted at a general meeting of shareholders where shareholders representing one-third or more of the voting rights of all the shareholders shall be present, by a majority of two-thirds or more of the voting rights of the shareholders who are present in such meeting and are entitled to vote.

5) Internal control system and risk management system

Outlines of the internal control system and the risk management system of the Company are as follows. In addition, these systems were resolved by the Board of Directors as the basic policy for internal control system under the Companies Act.

i) The following measures shall be taken to ensure the effectiveness of audits by the Audit Committee.

(a) When necessary, the Board of Directors may appoint one or more director(s), who does not serve concurrently as an executive officer, as a director responsible for assisting with the duties of the Audit Committee. In addition, the Board of Directors' Office (the "Office") shall be established specifically to assist with the duties of each Committee and the Board of Directors.

(b) In order to ensure the independence of the Office personnel from Executive Officers and the effect of instructions by the Audit Committee, the Office is staffed with personnel who work only for the Office and are not subject to orders and instructions of Executive Officers, and the Audit Committee shall be informed in advance of planned transfers of the Office personnel.

(c) Executive Officers and employees shall report without delay to the members of the Audit Committee significant matters affecting the Company and its subsidiaries, results of internal audits, and the implementation status of reporting under the internal reporting system. It shall be provided for in the company regulation that reporters using the internal reporting system, which is common for the Group, shall not receive disadvantageous treatment for reason of having made a report, and the secretariat of the system shall thoroughly administer this provision.

(d) The Office shall be in charge of payment for the expenses incurred in connection with the execution of the duties of the Audit Committee members and other administrative duties, and shall promptly process the payment for the expense or debt except in the case where the expense or debt of the claim is clearly found to be unnecessary to the execution of the duties of them.

(e) Standing Committee member(s) shall be appointed to the Audit Committee, and activity plans of the Audit Committee shall be prepared in coordination with the audit plans of Internal Auditing Office.

ii) The following measures shall be effective to ensure the adequacy of business operations within the Company and the Hitachi Group.

(a) Such fundamental policies as the emphasis of the social responsibilities of business enterprises shall be shared with the subsidiaries of the Company.

(b) Each subsidiary of the Company shall develop systems to ensure the appropriateness of operations corresponding to its size and other characteristics, basic framework of which is similar to ones employed in the Company. In order to ensure development of such systems in each subsidiary, directors and auditors shall be sent from the Company to its subsidiary, and regular audits shall be conducted for the subsidiary.

(c) A reporting system to Directors shall be established to ensure that the execution of duties by Executive Officers of the Company is in compliance with laws, regulations, and the Articles of Incorporation.

(d) Information pertaining to the execution of duties by Executive Officers of the Company shall be prepared and maintained in accordance with internal rules.

(e) A structure shall be established in which each relevant department shall establish regulations and guidelines, conduct training, prepare and distribute manuals, and carry out other such measures with respect to various risks. Efforts shall be made to identify possible new risks through such things as progress reports on business operations and, should it become necessary to respond to a new risk, an Executive Officer responsible for responding thereto shall be appointed promptly.

(f) Efficient performance of duties of the Executive Officers of the Company, and Directors and Executive Officers of the subsidiaries shall be ensured through the following business management systems.

- The Senior Executive Committee shall be established in order to deliberate on and facilitate the formulation of decisions based on due consideration of diverse factors regarding important issues that affect the Company and/or the Hitachi Group.
- Based on the management policy, medium-term business plans and annual budgets, on which performance management is based, shall be prepared in order to operate business in a planned and efficient manner.
- Internal audits of the Company and its subsidiaries shall be conducted to monitor and identify the status of their business operations and to facilitate improvements.
- The Audit Committee shall receive the audit plans of the accounting auditors in advance, and the prior approval of the Audit Committee shall be required with respect to the fees to be paid to the accounting auditors.
- Documented business processes for matters to be reflected in financial reports shall be executed at the Company and its subsidiaries, and internal and external auditors shall examine said processes in order to ensure the reliability of financial reports.
- A structure for the adequate and efficient conduct of business operations common to the Hitachi Group companies shall be established.

(g) Continuous maintenance of a legal and regulatory compliance structure shall be ensured through the following business management systems.

- Internal audits shall be conducted, and various committees shall be established for legal and regulatory compliance activities. Furthermore, an internal reporting system common for the Group shall be established and education on legal and regulatory compliance shall be provided.
- Various policies and rules on compliance with laws shall be established, aiming to ensure that

the employees are aware of the internal control systems overall and that the systems are effective.

(h) A system shall be established, in which the subsidiaries report on important issues and the progress in measures for operations to the Company through the Company's Senior Executive Committee, medium-term business plans and the budget system.

(i) The policy on transactions within the Hitachi Group is to trade fairly based on market prices.

6) Fundamental Policy on the Conduct of Persons Influencing Decision on the Company's Financial and Business Policies

We invest a great deal of business resources in fundamental research and in the development of market-leading products and businesses that will bear fruit in the future, and realizing the benefits from these management policies requires that they be continued for a set period of time. For this purpose, the Company keeps its shareholders and investors well informed of not just the business results for each period but also of the Company's business policies for creating value in the future.

The Company does not deny the significance of the vitalization of business activities and performance that can be brought about through a change in management control, but it recognizes the necessity of determining the impact on company value and the interests of all shareholders of the buying activities and buyout proposals of parties attempting to acquire a large share of stock of the Company or a Group company by duly examining the business description, future business plans, past investment activities, and other necessary aspects of such a party.

There is no party that is currently attempting to acquire a large share of the Company's stocks nor is there a specific threat, neither does the Company intend to implement specified so-called anti-takeover measures in advance of the appearance of such a party, but the Company does understand that it is one of the natural duties bestowed upon it by the shareholders and investors to continuously monitor the state of trading of the Company's stock and then to immediately take what the Company deems to be the best action in the event of the appearance of a party attempting to purchase a large share of the Company's stock. In particular, together with outside experts, the Company will evaluate the buyout proposal of the party and hold negotiations with the buyer, and if the Company deems that said buyout will not maintain the Company's value and is not in the best interest of the shareholders, then the Company will quickly determine the necessity, content, etc., of specific countermeasures and prepare to implement them. The same response will also be taken in the event a party attempts to acquire a large percentage of the shares of a Group company.

(2) Directors and Senior Management

1) Lists of directors and senior management

Men: 44 persons, Women: 4 persons

(Women’s percentage to total number of Directors and Senior Management: 8%)

The Company is a company with Nominating Committee, etc. pursuant to the Companies Act. The information on its Directors and Executive Officers is as follows.

(a) Directors


Katsumi Ihara


Ravi Venkatesan


Cynthia Carroll


Ikuro Sugawara


Joe Harlan


Louise Pentland


Takatoshi Yamamoto


Hiroaki Yoshihara


Helmuth Ludwig


Keiji Kojima


Mitsuaki Nishiyama


Toshiaki Higashihara

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Chairman of the Board Member of Nominating Committee (Chair), Audit Committee and Compensation Committee	Katsumi Ihara	Sept. 24, 1950	6/2005 4/2009 6/2009 6/2010 6/2011 4/2015 6/2016 6/2018	Executive Deputy President, Representative Corporate Executive Officer, Member of the Board, Sony Corporation Executive Deputy President, Corporate Executive, Sony Corporation Executive Vice President, Representative Director, Sony Financial Holdings Inc. President, Representative Director, Sony Financial Holdings Inc. President, Representative Director, Sony Life Insurance Co., Ltd. Chairman, Director, Sony Life Insurance Co., Ltd. (Retired in June 2017) Chairman, Director, Sony Financial Holdings Inc. (Retired in June 2017) Director, Hitachi, Ltd.	(Note 1)	1,300
Director	Ravi Venkatesan	Jan. 12, 1963	7/1999 1/2004 4/2011 4/2013 8/2015 9/2018 7/2020	Chairman of the Board of Directors, Cummins India Ltd. (Retired in March 2004) Chairman, Microsoft India Pvt. Ltd. (Retired in September 2011) Independent Director, Infosys Ltd. (Retired in May 2018, served as Co-Chairman from April 2017 to August 2017) Venture Partner, Unitus Ventures LLC. (Currently in office) Chairman (Non-Executive), Bank of Baroda (Retired in August 2018) Special Representative for Young People & Innovation, UNICEF (Retired in September 2022) Director, Hitachi, Ltd.	(Note 1)	500

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Director Member of Nominating Committee	Cynthia Carroll	Nov. 13, 1956	10/1991 1/1996 10/1998 1/2002 3/2007 6/2013	General Manager, Foil Products, Alcan Inc. Managing Director, Aughinish Alumina Ltd., Alcan Inc. President, Bauxite, Alumina and Specialty Chemicals, Alcan Inc. President & CEO, Primary Metal Group, Alcan Inc. CEO, Anglo American plc. (Retired in April 2013) Director, Hitachi, Ltd.	(Note 1)	1,600
Director Member of Audit Committee	Ikuro Suagawara	Mar. 6, 1957	7/2010 9/2012 6/2013 7/2015 8/2017 6/2022	Director-General of the Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry of Japan ("METI") Director-General of the Manufacturing Industries Bureau, METI Director-General of the Economic and Industrial Policy Bureau, METI Vice-Minister of Economy, Trade and Industry of Japan Special Advisor to the Cabinet of Japan (Retired in June 2018) Director, Hitachi, Ltd.	(Note 1)	400
Director Member of Compensation Committee	Joe Harlan	May 5, 1959	9/1999 9/2001 11/2002 10/2004 10/2009 9/2011 9/2012 10/2014 10/2015 6/2018	Vice President and Chief Financial Officer, Lighting Business, General Electric Company Vice President, Corporate Financial Planning and Analysis, 3M Company President and Chief Executive Officer, Sumitomo 3M Ltd. Executive Vice President, Electro and Communications Business, 3M Company Executive Vice President, Consumer and Office Business, 3M Company Executive Vice President, Performance Materials, The Dow Chemical Company Executive Vice President, Chemicals, Energy and Performance Materials, The Dow Chemical Company Chief Commercial Officer and Vice Chairman, Market Business, The Dow Chemical Company Vice Chairman and Chief Commercial Officer, The Dow Chemical Company (Retired in August 2017) Director, Hitachi, Ltd.	(Note 1)	1,300

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Director	Louise Pentland	Apr. 11, 1972	8/1997 7/2001 9/2007 7/2008 6/2009 2/2011 4/2015 6/2015 7/2015 9/2016 1/2022	Admitted as a Solicitor (UK) Senior Legal Counsel, Nokia Networks, Nokia Corporation Vice President, Acting Chief Legal Officer and Head of IP Legal, Nokia Corporation Senior Vice President and Chief Legal Officer, Nokia Corporation Admitted to New York State Bar Association Executive Vice President and Chief Legal Officer, Nokia Corporation (Retired in May 2014) General Counsel, PayPal, eBay Inc. Director, Hitachi, Ltd. Senior Vice President and Chief Legal Officer, PayPal Holdings, Inc. Executive Vice President and Chief Business Affairs & Legal Officer, PayPal Holdings, Inc. Executive Vice President and Senior Advisor, PayPal Holdings, Inc. (Retired in July 2022)	(Note 1)	1,200
Director Member of Compensation Committee (Chair)	Takatoshi Yamamoto	Oct. 20, 1952	12/1995 6/1999 7/2005 6/2009 6/2011 6/2016	Managing Director, Morgan Stanley Japan Limited Managing Director and Vice Chairman, Tokyo Branch, Morgan Stanley Japan Limited Managing Director and Vice Chairman, UBS Securities Japan Co., Ltd. Managing Director, CASIO COMPUTER CO., LTD. Advisor, CASIO COMPUTER CO., LTD. (Retired in June 2012) Director, Hitachi, Ltd.	(Note 1)	14,100
Director Member of Nominating Committee and Audit Committee (Chair)	Hiroaki Yoshihara	Feb. 9, 1957	11/1978 7/1996 10/1997 10/2003 6/2014	Joined Peat Marwick Mitchell & Co. National Managing Partner, the Pacific Rim Practice, KPMG LLP The Board Member, KPMG LLP Vice Chairman and Global Managing Partner, KPMG International (Retired in April 2007) Director, Hitachi, Ltd.	(Note 1)	3,400

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Director Member of Audit Committee	Helmuth Ludwig	Sept. 19, 1962	6/2001 8/2002 8/2007 10/2010 10/2011 10/2014 10/2016 1/2020 7/2020	President, Software and System House Division, Siemens AG President, Systems Engineering Division, Automation and Drives Group, Siemens AG President, Siemens PLM Software, Inc. Global Head of Communications, Industry Automation, Siemens Corp. President and CEO, Industry Sector, North America, Siemens Industry, Inc. Executive Vice President and Chief Digital Officer, Digital Factory Division, Product Lifecycle Management, Siemens Corp. Chief Information Officer, Siemens AG (Retired in December 2019) Professor of Practice in Strategy and Entrepreneurship, Cox School of Business, Southern Methodist University (Currently in office) Director, Hitachi, Ltd.	(Note 1)	4,400
Director Member of Compensation Committee	Keiji Kojima	Oct. 9, 1956	4/1982 4/2011 4/2012 4/2016 4/2018 6/2021 4/2022	Joined Hitachi, Ltd. General Manager, Hitachi Research Laboratory Vice President and Executive Officer Senior Vice President and Executive Officer Executive Vice President and Executive Officer President & COO and Director President & CEO and Director	(Note 1)	113,600
Director Member of Audit Committee (Standing)	Mitsuaki Nishiyama	Sep. 25, 1956	4/1979 4/2008 4/2011 6/2012 4/2013 7/2013 4/2014 4/2015 4/2016 4/2020 6/2020 1/2023 4/2023 6/2023	Joined Hitachi, Ltd. General Manager, Finance Department I Executive Officer, Hitachi Cable, Ltd. Executive Officer, Board Director, Hitachi Cable, Ltd. Vice President and Executive Officer, Board Director, Hitachi Cable, Ltd. Vice President and Managing Officer, Hitachi Metals, Ltd. (currently Proterial, Ltd.) Vice President and Executive Officer, Hitachi Metals, Ltd. (Retired in March 2015) Vice President and Executive Officer, Hitachi, Ltd. Representative Executive Officer, Senior Vice President and Executive Officer, Hitachi, Ltd. Representative Executive Officer, Chairperson and CEO, Hitachi Metals, Ltd. Representative Executive Officer, Chairperson, President and CEO, Hitachi Metals, Ltd. Representative Executive Officer, Chairperson, President and CEO, and Director, Hitachi Metals, Ltd. Representative Director, Executive Chairman, Proterial, Ltd. (Retired in March 2023) Associate, Hitachi, Ltd. Director, Hitachi, Ltd.	(Note 1)	26,660

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Executive Chairman Member of Nominating Committee	Toshiaki Higashihara	Feb. 16, 1955	4/1977 4/2006 4/2007 4/2008 4/2010 6/2010 4/2011 4/2013 4/2014 6/2014 4/2016 5/2021 6/2021 4/2022	Joined Hitachi, Ltd. Chief Operating Officer, Information & Telecommunication Systems Vice President and Executive Officer (Retired in March 2008) President, Hitachi Power Europe GmbH President and Chief Executive Officer, Hitachi Plant Technologies, Ltd. President and Representative Director, Hitachi Plant Technologies, Ltd. Vice President and Executive Officer, Hitachi, Ltd. Senior Vice President and Executive Officer, Hitachi, Ltd. President & COO, Hitachi, Ltd. President & COO and Director, Hitachi, Ltd. President & CEO and Director, Hitachi, Ltd. Executive Chairman, President & CEO and Director, Hitachi, Ltd. Executive Chairman & CEO and Director, Hitachi, Ltd. Executive Chairman, Representative Executive Officer and Director, Hitachi, Ltd.	(Note 1)	207,900
Total						376,360

(Notes) 1. The term of office of the Directors starts upon the election at the Annual General Meeting of Shareholders on June 21, 2023 and expires at the close of the Annual General Meeting of Shareholders for the fiscal year ending March 31, 2024.

2. Messrs. Katsumi Ihara, Ravi Venkatesan, Ikuro Sugawara, Joe Harlan, Takatoshi Yamamoto, Hiroaki Yoshihara and Helmuth Ludwig and Mses. Cynthia Carroll and Louise Pentland are directors who fulfill the qualification requirements to be outside directors as provided for in Article 2, Item 15 of the Companies Act.

(b) Executive Officers

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Representative Executive Officer, Executive Chairman General	Toshiaki Higashihara	Feb. 16, 1955	See "(a) Directors"		(Note 2)	207,900
Representative Executive Officer, President & CEO Overall management	Keiji Kojima	Oct. 9, 1956	See "(a) Directors"		(Note 2)	113,600
Representative Executive Officer, Executive Vice President and Executive Officer Assistant to the President (business for industrial digital, water & environment business, industrial products business, industrial equipment systems business, building systems business, smart life & ecofriendly systems business, measurement and analytical systems business and healthcare business)	Masakazu Aoki	Jun. 23, 1954	4/1977 4/2012 10/2014 4/2016 4/2017	Joined Hitachi, Ltd. President and Director, Hitachi Industrial Equipment Systems Co., Ltd. Vice President and Executive Officer, Hitachi, Ltd. Senior Vice President and Executive Officer, Hitachi, Ltd. Executive Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	80,100
Representative Executive Officer, Executive Vice President and Executive Officer Assistant to the President (finance strategies, corporate pension system, investment strategies, investor relations strategies, cost structure reform, risk management, corporate auditing and corporate export regulation)	Yoshihiko Kawamura	Aug. 20, 1956	4/1979 4/2010 4/2015 4/2016 4/2017 4/2018 4/2022	Joined Mitsubishi Corporation Senior Vice President, Division COO, IT Service Division, Mitsubishi Corporation Joined Hitachi, Ltd. Executive Strategist, Information & Telecommunication Systems Group Deputy General Manager of IoT Business Promotion Division and General Manager of Incubation Division, Hitachi, Ltd. Vice President and Executive Officer, Hitachi, Ltd. Senior Vice President and Executive Officer, Hitachi, Ltd. Executive Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	61,600

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Representative Executive Officer, Executive Vice President and Executive Officer Assistant to the President (railway systems business, nuclear energy business, energy business, power grids business)	Alistair Dormer	Aug. 29, 1963	2/2001 6/2003 10/2009 9/2012 4/2014 4/2015 4/2016 4/2019 4/2021 4/2022 1/2023	Director of Business Development, Alstom Transport U.K. Ltd. Joined Hitachi Europe Ltd. Managing Director, Hitachi Rail Europe Ltd. Executive Chairman and CEO, Hitachi Rail Europe Ltd. Global CEO of Rail Systems business, Hitachi, Ltd. Vice President and Executive Officer, Hitachi, Ltd. Senior Vice President and Executive Officer, Hitachi, Ltd. Executive Vice President and Executive Officer, Hitachi, Ltd. Executive Vice President and Executive Officer, Hitachi, Ltd. Chairman of the Board, Hitachi Europe Ltd. Chairman of the Board, Hitachi Europe Ltd. Executive Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	33,000
Representative Executive Officer, Executive Vice President and Executive Officer Assistant to the President (cloud services platforms business, digital engineering business, business for financial institutions, business for government, public corporation and social infrastructure systems, defense systems business, social innovation business promotion and digital strategies)	Toshiaki Tokunaga	Mar. 15, 1967	4/1990 4/2017 4/2018 4/2019 4/2020 4/2021	Joined Hitachi, Ltd. President, Hitachi Appliances, Inc. General Manager, Smart Life & Ecofriendly Systems Division, Hitachi, Ltd. Vice President and Executive Officer, Hitachi, Ltd. Senior Vice President and Executive Officer, Hitachi, Ltd. Executive Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	60,700
Senior Vice President and Executive Officer Cloud services platforms business	Jun Abe	Jun. 14, 1961	4/1984 4/2016 4/2018 4/2021	Joined Hitachi, Ltd. Senior General Manager, Control System Platform Division, Services & Platforms Business Unit Vice President and Executive Officer Senior Vice President and Executive Officer	(Note 2)	45,400
Senior Vice President and Executive Officer Sustainability strategies, environmental strategies and diversity, equity & inclusion strategies	Lorena Dellagiovanna	Apr. 15, 1969	10/1988 4/2020 4/2021 4/2023	Joined Hitachi Europe GmbH Chief Diversity & Inclusion Officer, Hitachi, Ltd. (Currently in office) Vice President and Executive Officer, Hitachi, Ltd. Senior Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	5,700

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Senior Vice President and Executive Officer Business for government, public corporation and social infrastructure systems and defense systems business	Katsuya Nagano	Aug. 30, 1958	4/1983 4/2016 4/2017 4/2021	Joined Hitachi, Ltd. General Manager of Social Infrastructure Information Systems Division, Information & Communication Technology Business Division Vice President and Executive Officer Senior Vice President and Executive Officer	(Note 2)	41,200
Representative Executive Officer, Senior Vice President and Executive Officer Human capital strategies, diversity, equity & inclusion strategies, corporate communications strategies and safety and health management	Hidenobu Nakahata	Jan. 24, 1961	4/1983 10/2013 4/2014 4/2018	Joined Hitachi, Ltd. Deputy General Manager, Human Capital Group Vice President and Executive Officer Senior Vice President and Executive Officer	(Note 2)	58,700
Representative Executive Officer, Senior Vice President and Executive Officer Marketing & sales and regional strategies	Masahiko Hasegawa	Sept. 17, 1964	4/1987 4/2018 4/2020 4/2022	Joined Hitachi, Ltd. General Manager of Kansai Area Operation Vice President and Executive Officer Senior Vice President and Executive Officer	(Note 2)	31,700
Senior Vice President and Executive Officer Power grids business	Claudio Facchin	Jun. 26, 1965	1/2016 7/2020 4/2021	President, Power Grids business, ABB Ltd. CEO, Hitachi ABB Power Grids Ltd (Currently Hitachi Energy Ltd) (Currently in office) Senior Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	12,100
Senior Vice President and Executive Officer Railway systems business	Giuseppe Marino	Apr. 5, 1964	9/2005 11/2009 11/2015 4/2018 4/2019 10/2019 4/2023	Vice President Operating Europe & Middle East, Ingersoll Rand Security Technologies Senior Vice President & COO, AnsaldoBreda S.p.A. (Currently Hitachi Rail STS S.p.A.) Senior Vice President & COO, Hitachi Rail Italy S.p.A. Group COO Rolling Stock, Hitachi Rail Europe Ltd. (Currently Hitachi Rail Ltd.) COO Rolling Stock, Railway Systems Business Unit, Hitachi, Lid. CEO, Ansaldo Energia S.p.A. Senior Vice President and Executive Officer, Hitachi, Lid.	(Note 2)	0
Senior Vice President and Executive Officer Management strategies	Mamoru Morita	Apr. 12, 1959	4/1983 4/2015 4/2016 4/2020	Joined Hitachi, Ltd. General Manager of Strategy Planning Division Vice President and Executive Officer Senior Vice President and Executive Officer	(Note 2)	53,200

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Vice President and Executive Officer Regional strategies (China)	Atsuhiro Aketa	Apr. 8, 1965	4/1988 4/2022 4/2023	Joined Hitachi, Ltd. CMO for Energy, Corporate Sales & Marketing Group, General Manager of Energy Sales & Marketing Division Vice President and Executive Officer	(Note 2)	1,700
Vice President and Executive Officer Railway systems business	Noriharu Amiya	Feb. 1, 1969	4/1992 4/2018 10/2019 4/2022	Joined Hitachi, Ltd. COO and CDO (Chief Digitalization Officer) of Railway Systems Business Unit General Manager of Management Planning Office, Strategy Planning Division Vice President and Executive Officer	(Note 2)	15,100
Vice President and Executive Officer Healthcare business and measurement and analytical systems business	Takashi Iizumi	Oct. 14, 1960	4/1985 4/2021 4/2022	Joined Hitachi, Ltd. President of Hitachi High-Tech Corporation (Currently in office) Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	6,500
Vice President and Executive Officer Government & external relations	Hitoshi Ito	Feb. 19, 1959	4/1982 8/2011 1/2013 7/2014 10/2016 1/2018 4/2018	Joined Ministry of International Trade and Industry Councilor, Cabinet Secretariat Director-General, Reconstruction Agency Commissioner, Japan Patent Office Advisor, Tokio Marine & Nichido Fire Insurance Co., Ltd. Joined Hitachi, Ltd. Vice President and Executive Officer	(Note 2)	30,900
Vice President and Executive Officer Nuclear energy business	Yasunori Inada	Sep. 9, 1966	4/1992 4/2017 4/2019 4/2020 4/2023	Joined Hitachi, Ltd. General Manager of Nuclear Engineering Procurement Division, Hitachi-GE Nuclear Energy, Ltd. Vice President and Director, Hitachi Plant Construction, Ltd. President and Representative Director, Hitachi Plant Construction, Ltd. Vice President and Executive Officer	(Note 2)	1,900
Vice President and Executive Officer Business for financial institutions	Tatsuro Ueda	Oct. 9, 1964	4/1987 4/2019 4/2021	Joined Hitachi, Ltd. COO, Financial Institutions Business Unit Vice President and Executive Officer	(Note 2)	19,700
Vice President and Executive Officer Energy business	Kenji Urase	Jun. 18, 1961	4/1986 3/2015 4/2017	Joined Hitachi, Ltd. President and Representative Director, Hitachi Power Solutions Co., Ltd. Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	34,000

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Vice President and Executive Officer Finance strategies and corporate pension system	Tomomi Kato	Oct. 13, 1963	4/1986 4/2018 4/2022	Joined Hitachi, Ltd. General Manager of Financial Strategy Division, Finance Group, and General Manager of Asset Management Office, Investment Strategy Division Vice President and Executive Officer	(Note 2)	17,600
Vice President and Executive Officer Supply chain management (manufacturing strategies and quality assurance), environmental strategies and safety and health management	Tadashi Kume	Jan. 4, 1963	4/1986 4/2019 4/2020	Joined Hitachi, Ltd. COO, Nuclear Energy Business Unit Vice President and Executive Officer	(Note 2)	26,300
Vice President and Executive Officer Legal matters, risk management and corporate auditing	Kohei Kodama	May 24, 1961	4/1987 4/2017 4/2018	Joined Hitachi, Ltd. Chief Business Risk management Officer, Systems & Services Business Division Vice President and Executive Officer	(Note 2)	28,800
Vice President and Executive Officer Marketing & sales strategies (business for connective industries)	Takashi Saito	Jan. 6, 1964	4/1987 4/2020 4/2022	Joined Hitachi, Ltd. General Manager of Kansai Area Operation Vice President and Executive Officer	(Note 2)	14,100
Vice President and Executive Officer Human capital strategies	Kenichi Tanaka	Jul. 9, 1961	4/1985 4/2018 4/2022	Joined Hitachi, Ltd. General Manager of Secretarial Office Vice President and Executive Officer	(Note 2)	19,000
Vice President and Executive Officer Digital strategies and digital engineering business	Jun Taniguchi	Dec 3, 1972	4/1995 4/2018 4/2019 4/2022	Joined Hitachi, Ltd. General Manager of Information Control Systems Division 3, Control System Platform Division, Services & Platforms Business Unit President of Hitachi Global Life Solutions, Ltd. Vice President and Executive Officer of Hitachi, Ltd.	(Note 2)	6,800
Vice President and Executive Officer Regional strategies (APAC)	Kojin Nakakita	Sept. 28, 1963	10/1988 4/2017 6/2017 4/2019	Joined Hitachi, Ltd. Chairman of Hitachi Asia Ltd. (Currently in office) Chairman of Hitachi India Pvt. Ltd. (Currently in office) Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	30,800
Vice President and Executive Officer Water & environment business	Hideshi Nakatsu	May. 10, 1967	10/1997 4/2016 4/2019 4/2021	Joined Hitachi Metals, Ltd. President and Representative Director, Hitachi Plant Services Co., Ltd. (Retired in March 2020) CEO, Water & Environment Business Unit, Hitachi, Ltd. Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	19,700

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Vice President and Executive Officer Research & development	Itaru Nishizawa	Jul. 2, 1967	4/1996 4/2022 4/2023	Joined Hitachi, Ltd. General Manager, Center for Digital Services, Research & Development Group Vice President and Executive Officer	(Note 2)	5,900
Vice President and Executive Officer Information technology strategies	Seiichiro Nukui	Jan. 3, 1965	4/1988 2/2010 4/2015 4/2017 4/2019	Joined Accenture, Ltd. (Japan) Vice President of Company Executive, and General Manger of Communication, Electric, Media and High-tech Industry, Power & Industrial Equipment Division, Accenture Ltd. (Japan) Joined Hitachi, Ltd. Executive IT Strategist, Hitachi, Ltd. Urban Mobility Project Leader, Future Investment Division, Hitachi, Ltd. Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	30,300
Vice President and Executive Officer Regional strategies (EMEA)	Andrew Barr	Jan. 9, 1973	1/2002 1/2005 1/2014 5/2016 4/2019	Engineering Manager, Rolling Stock, UK Government Strategic Rail Authority Head of Maintenance Delivery [Rail Business], Hitachi Europe Ltd. COO, Hitachi Rail Europe Ltd. CEO, Ansaldo STS S.p.A. (Currently Hitachi Rail STS S.p.A.) Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	16,600
Vice President and Executive Officer Cloud services platform business	Yoshinori Hosoya	Feb. 5, 1965	4/1988 4/2021 4/2023	Joined Hitachi, Ltd. COO, Social Infrastructure Systems Business Unit Vice President and Executive Officer	(Note 2)	18,800
Vice President and Executive Officer Marketing & sales strategies (business for digital systems & services) and social innovation business promotion	Chie Mashima (Note 3)	May. 20, 1966	4/1989 4/2022 4/2023	Joined Hitachi, Ltd. General Manager of Social Innovation Business Division, Digital Systems & Services Division Vice President and Executive Officer	(Note 2)	14,900
Vice President and Executive Officer Urban business strategies and building systems business	Shinya Mitsudomi	Jul. 5, 1958	4/1982 4/2017 4/2018	Joined Hitachi, Ltd. Group Head of Sales and Managing Director, Japan / Asia Pacific, Railway Systems Business Unit Vice President and Executive Officer	(Note 2)	31,100
Vice President and Executive Officer Cost structure reform and information security management	Masashi Murayama	Dec. 23, 1961	4/1985 4/2016 4/2019	Joined Hitachi, Ltd. CPO and General Manager, Value Chain Integration Division Vice President and Executive Officer	(Note 2)	32,300

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Vice President and Executive Officer Business for industrial digital	Kazunobu Morita	May. 12, 1966	4/1991 3/2004 4/2019 4/2021	Joined Mitsubishi Petrochemical Co., Ltd. Joined Hitachi, Ltd. CSO, Industry Business Division, Hitachi, Ltd. Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	19,700
Vice President and Executive Officer Marketing & sales strategies (business for energy)	Takashi Yoda	Aug. 22, 1966	4/1990 4/2018 4/2019	Joined Hitachi, Ltd. General Manager of Energy Business Co-Creation & Promotion Division, Power and Energy Business Administration Division Vice President and Executive Officer	(Note 2)	30,500
Total						1,277,900

(Notes) 1. The “Position and Responsibility” column describes positions and matters delegated to each of the Executive Officers by the Board of Directors.
2. The term of office of the Executive Officers expires on March 31, 2024.
3. The Executive Officer, Chie Mashima’s name in the family register is Chie Aihara.

2) Independent Directors

(a) Qualification for the Independent Directors and criteria for the independency

For electing an Independent Director, the Nominating Committee of the Company considers, in addition to the following criteria for the independency, whether the Independent Director has the highest personal and professional ethics, integrity and insight, and distinguished records of leadership or experience at policy making levels in business, law, administration, accounting or education, etc.

For the independency of an Independent Director, the Company considers the Independent director to be independent unless:

- his or her immediate family member* is, or has been within the last three years, a director or an executive officer, of the Company or any of its subsidiaries;
- he or she is currently an executive director, an executive officer or an employee of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds 2% of any of the companies' consolidated gross revenues;
- he or she has received during any of the last three fiscal years more than 10 million yen in direct compensation for his or her service as a specialist in law, accounting or tax, or as a consultant from the Company, other than director compensations; or
- he or she serves as an executive officer or director of a not-for-profit organization, and the Company's discretionary charitable contributions to the organization in any of the last three fiscal years are more than 10 million yen and 2% of that organization's annual gross revenues.

* An "immediate family member" includes a person's spouse, parents, children, siblings, grand-parents, grand-children, mothers and fathers-in-law, sons and daughters-in-law, spouses of siblings, grand-children-in-law, and brothers and sisters-in-law.

(b) Function of the Independent Directors

Following the policy stated in "(a) Qualification for Independent Directors and criteria for the independency," the Company has elected nine persons; Messrs. Katsumi Ihara, Ravi Venkatesan, Ikuro Sugawara, Joe Harlan, Takatoshi Yamamoto, Hiroaki Yoshihara and Helmuth Ludwig and Mses. Cynthia Carroll and Louise Pentland, as outside Directors under Article 2, Item 15 of the Companies Act. The functions and roles expected to them are as follows:

Name	Function and Role
Katsumi Ihara	Mr. Ihara has rich experience and insight in the area of global corporate management gained through the involvement in management at major companies conducting diversified businesses globally. He is expected to leverage such experience and insight to reinforce the supervisory and decision making functional aspects of the Company's Board of Directors by offering opinions and proposals regarding the general management of the Company and supervising the execution of duties by Executive Officers and others from an independent perspective.
Ravi Venkatesan	Mr. Venkatesan has rich experience and insight in the area of global corporate management, digital business and emerging markets. He is expected to leverage such experience and insight to reinforce the supervisory and decision making functional aspects of the Company's Board of Directors by offering opinions and proposals regarding the general management of the Company from a global viewpoint and supervising the execution of duties by Executive Officers and others from an independent perspective.

Name	Function and Role
Cynthia Carroll	Ms. Carroll has rich experience and insight as the top executive of major global companies in the mining industry. She is expected to leverage such experience and insight to reinforce the supervisory and decision making functional aspects of the Company’s Board of Directors by offering opinions and proposals regarding the general management of the Company from a global viewpoint and supervising the execution of duties by Executive Officers and others from an independent perspective.
Ikuro Sugawara	Mr. Sugawara has rich experience and insight in the area of public administration, etc. gained through leading positions at government agencies. He is expected to leverage such experience and insight to reinforce the supervisory and decision making functional aspects of the Company’s Board of Directors by offering opinions and proposals regarding the general management of the Company and supervising the execution of duties by Executive Officers and others from an independent perspective.
Joe Harlan	Mr. Harlan has rich experience and insight in the area of global corporate management gained through the involvement in management at major companies conducting diversified businesses globally. He is expected to leverage such experience and insight to reinforce the supervisory and decision making functional aspects of the Company’s Board of Directors by offering opinions and proposals regarding the general management of the Company from a global viewpoint and supervising the execution of duties by Executive Officers and others from an independent perspective.
Louise Pentland	Ms. Pentland has deep insight into corporate legal matters and corporate governance gained through her rich experience as the chief legal officer of major global companies. She is expected to leverage such experience and insight to reinforce the supervisory and decision making functional aspects of the Company’s Board of Directors by offering opinions and proposals regarding the general management of the Company from a global viewpoint and supervising the execution of duties by Executive Officers and others from an independent perspective as well as reflecting her global viewpoint.
Takatoshi Yamamoto	Mr. Yamamoto has broad range of insight in business and management gained through his experience in the area of corporate analysis and global corporate management. He is expected to leverage such experience and insight to reinforce the supervisory and decision making functional aspects of the Company’s Board of Directors by offering opinions and proposals regarding the general management of the Company and supervising the execution of duties by Executive Officers and others from an independent perspective.
Hiroaki Yoshihara	Mr. Yoshihara has rich experience and insight in the area of global corporate management and accounting. He is expected to leverage such experience and insight to reinforce the supervisory and decision making functional aspects of the Company’s Board of Directors by offering opinions and proposals regarding the general management of the Company from a global viewpoint and supervising the execution of duties by Executive Officers and others from an independent perspective.

Name	Function and Role
Helmuth Ludwig	Mr. Ludwig has rich experience and insight in the area of global corporate management and digital business. He is expected to leverage such experience and insight to reinforce the supervisory and decision making functional aspects of the Company's Board of Directors by offering opinions and proposals regarding the general management of the Company from a global viewpoint and supervising the execution of duties by Executive Officers and others from an independent perspective.

(c) Relationship between Independent Directors and the Company

Each of Independent Directors has no relationship with the Company regarding his or her independency as described in "(a) Qualification for the Independent Directors and criteria for the independency." In addition, there is no particular conflict of interest between each of Independent Directors and the Company.

The Company considers that all Independent Directors are independent, and therefore has notified them as independent directors to each of the Company's listing stock exchanges in Japan.

In addition, the number of shares of the Company owned by each Independent Director is described in "1) Lists of directors and senior management."

(d) Supervising by the Independent Directors

Independent Directors, comprising of majority of Directors, supervise execution of duties of Executive Officers from an independent perspective. As described in the item "(3) Audit," the Audit Committee, of which majority members are Independent Directors, receives reports and explanations about results of internal audits, accounting audit and internal control audit, and verifies the matters reported or explained. In addition, the Audit Committee reports the results of its verification to the Board of Directors.

(3) Audit

1) Audit by the Audit Committee

The Audit Committee consists of five Directors, including four Independent Directors and one standing Audit Committee member.

Mr. Hiroaki Yoshihara, the Chair of the Audit Committee, has considerable knowledge of finance and accounting based on his long experience at KPMG Group with businesses related to accounting, etc. Mr. Mitsuaki Nishiyama, the member of Audit Committee who has been appointed on June 21, 2023, has considerable knowledge of finance and accounting based on his long experience as a chief of finance and accounting department and an Executive Officer in charge of finance and accounting department.

The Audit Committee conducts audits for whether corporate administration by Directors and Executive Officers are properly carried out under appropriate internal control systems.

The Audit Committee develops the audit policy and the audit plan, and periodically receives reports or conducts hearing for execution of duties from Directors and Executive Officers. In addition, the members of the Audit Committee, who are in charge of internal inspection, examine business units of the Company and receive reports from subsidiaries in order to check whether business transaction and property management are properly carried out, and then report the results to the Audit Committee. Furthermore, such members of the Audit Committee attend the important meetings including the budget meeting, the Senior Executive Committee and the Disclosure Committee, inspect audit reports from internal audit division, and provide internal audit division with instructions about divisions to be subject to auditing and items to be focused, if necessary.

The Audit Committee receives reports and explanations about the audit plan and results of the audit from the accounting auditor, and based on the reports, verifies results of financial audits and internal control audits. In addition, the Audit Committee receives reports and explanations of quality control systems of the accounting auditor. Furthermore, the Company makes it a rule to obtain the prior approval of the Audit Committee for remuneration to the accounting auditor.

The attendance record of each member of the Audit Committee during fiscal 2022 is as follows.

Name	Attendance / Number of days held the Audit Committee (Note 1)	Attendance rate (Note 1)
Katsumi Ihara	14 days / 15 days	93%
Ikuro Sugawara (Note 2)	9 days / 9 days	100%
Harufumi Mochizuki (Note 3)	6 days / 6 days	100%
Takatoshi Yamamoto (Note 3)	6 days / 6 days	100%
Hiroaki Yoshihara	15 days / 15 days	100%
Helmuth Ludwig	15 days / 15 days	100%
Hideaki Seki	15 days / 15 days	100%

(Notes) 1. They are based on the days held the Audit Committee during each member's term of office.

2. Mr. Sugawara was appointed on June 22, 2022.

3. Mr. Mochizuki and Mr. Yamamoto resigned on June 22, 2022.

During fiscal 2022, the Audit Committee engaged in a variety of activities as a whole Hitachi Group and by each business segment to study priority matters such as strengthening of collaboration and the facilitation of information sharing under a “tripartite audit” (audit by the Audit Committee, internal audit and audit by accounting auditors), and auditing of the establishment and operation of internal control systems from the perspective of risk management and validity of execution of duties. In addition, a standing committee member worked to obtain information as needed in a timely and accurate manner, mainly by collaborating with the Internal Auditing Office, among other departments, and attending important internal meetings such as the Senior Executive Committee, and facilitated information sharing with other committee members.

2) Internal audit

The Internal Auditing Office is in charge of internal audit within the Hitachi Group and audits business units, corporate divisions of headquarters and subsidiaries and affiliates. The number of staff of the Internal Auditing Office is 42 as of March 31, 2023.

The Internal Auditing Office monitors and assesses whether overall business operations, including marketing, personnel management, labor management, compliance, procurement transactions, production control, environment, disaster prevention, export regulations, information system, accounting and financing activities, and property management of the Hitachi Group are properly carried out pursuant to audit standards established by the Company, and points out items required to be improved based on the results of auditing and follows up their improvements. The Internal Auditing Office reports in advance its internal audit plan to the Audit Committee, and reports results of auditing to the President and the Audit Committee. Furthermore, relating to the internal control over financial reporting, the internal control division in the Internal Audit Office promotes to establish and maintain the internal control systems pursuant to the Company's guideline, assesses its effectiveness, and reports the results to the President and the Audit Committee.

3) Accounting audit

(a) Name of accounting auditor

Ernst & Young ShinNihon LLC

(b) Consecutive term of service of the certified public accountants

The Fukase accounting firm of certified public accountants carried out an accounting audit of the Company in 1970 and, subsequently, accounting audits were conducted by Musashi Audit Corporation, which was established by Fukase certified public accountant etc., from 1971, Century Audit Corporation, into which Musashi Audit Corporation was merged, from 1986 and Ota Showa Century Audit Corporation, into which Century Audit Corporation was merged, from 2000, and currently Ernst & Young ShinNihon LLC, which was renamed from Ota Showa Century Audit Corporation, conducts the accounting audits of the Company. Since 2003 when Ernst & Young ("EY") has become the network firm partnering with the accounting auditor, Hitachi Group companies, including overseas companies, have selected EY as the accounting auditor uniformly on a global basis and the Company has been striving to ensure that the accounting auditor performs its duties properly from an independent standpoint, maintaining a proper degree of tension with the Company through mutual assessment between the Company's finance division and internal audit division and the accounting auditor and the Audit Committee's strong cooperation with the accounting auditor and examination of selection of an accounting auditor and reappointment of the accounting auditor.

At Ernst & Young ShinNihon LLC, engagement partners are rotated and no engagement partners are involved in accounting audits of the same company for more than seven consecutive fiscal years. No lead engagement partner is involved in accounting audits of the same company for more than five consecutive fiscal years. If an engagement partner is involved in accounting audits of the same company for seven consecutive years, he or she will be involved in accounting audits of that company only after an interval of five fiscal years. No lead engagement partner who is involved in accounting audits of the same company for five consecutive fiscal years will be involved in accounting audits of that company again.

(c) Certified public accountants (CPAs) who executed accounting audit

Koji Fujima, Yasuhiro Ozeki, Shinya Yoshida

(d) Assistants for audit works

44 CPAs and 89 staffs belonging to Ernst & Young ShinNihon LLC assist execution of accounting audit works as instructed by the three CPAs mentioned in (c).

(e) Policy and reason for the selection of accounting auditors

With a view to ensuring the appropriate execution of duties by accounting auditors, the Audit Committee selects accounting auditors by considering such factors as quality control systems for accounting auditors, implementation systems for auditing and the level of audit fees.

In addition, the Audit Committee has prepared the following policies with respect to "policies for determination of removal and non-reappointment of accounting auditors" set forth in Item 4 of Article 126 of the Ordinance for Enforcement of the Companies Act.

- In the event the Audit Committee determines that the causes provided for in each item of Paragraph 1 of Article 340 of the Companies Act apply to an accounting auditor and the accounting auditor needs to be removed immediately, the Audit Committee shall remove the accounting auditor by unanimity. Should this occur, the Audit Committee member selected by the Audit Committee shall give a report on the removal of the accounting auditor and the reason therefor at the first general meeting of shareholders to be convened after the said removal.
- Besides the case above, it is determined that an accounting auditor should be replaced for such reason as the difficulty of ensuring an adequate performance of duties by the accounting auditor, the Audit Committee shall determine the contents of the agenda item on the non-retention of the

accounting auditor to be submitted to the general meeting of shareholders.

The Audit Committee comprehensively evaluated and examined Ernst & Young ShinNihon LLC from the perspectives of its history, business size, past performance of auditing and efforts to facilitate communication with the Audit Committee and other internal divisions, among other factors. As a result, the Audit Committee decided to select Ernst & Young ShinNihon LLC as the accounting auditor since the Audit Committee judged that none of the abovementioned policies applies to Ernst & Young ShinNihon LLC and therefore adequate performance of duties by Ernst & Young ShinNihon LLC is continuously secured.

(f) Evaluation for accounting auditor by the Audit Committee

The Audit Committee evaluated the appropriateness and relevance of auditing conducted by accounting auditor from the perspectives of the effectiveness of initiatives to facilitate communication with the Audit Committee and the top management in particular, the details and implementation of audit systems and auditing manuals and remuneration for auditing in accordance with evaluation criteria the Audit Committee formulated in advance. For evaluating the accounting auditor, the Audit Committee gathered information on matters such as the independence of the accounting auditor, audit systems and the implementation of audits and audit quality thereof from the Accounting Control Department and the Internal Auditing Office. The Audit Committee also received reports from the accounting auditor regarding compliance with laws and regulations, including the accounting auditor's independence, methods for evaluating risks with respect to the acceptance and continuation of audit services, audit and inspection systems and quality control systems, and detailed audit plans based on the accounting auditor's evaluations for risks pertaining to the Company, as well as results of audits and details of and progress on plans for improving business operations and auditing efficiency at the time of the completion of quarterly reviews and annual audits. Based on such reports, the Audit Committee concluded that the accounting auditor conducted highly transparent audits and its activities were appropriate and relevant.

4) Audit Fees

(a) Fees to accounting auditor

Category	Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2022	
	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)
The Company	579	(Note) 46	566	(Note) 39
Consolidated subsidiaries	792	(Note) 16	986	(Note) 14
Total	1,371	62	1,552	53

(Note) The non-audit services were basically various consulting services and assurance engagements.

(b) Audit fees (excluding the amount mentioned in (a)) to the Company's accounting auditor, Ernst & Young ShinNihon LLC Group (including EY and its group firms which belong to the same network as Ernst & Young ShinNihon LLC)

Category	Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2022	
	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)
The Company	-	(Note 1) 79	-	(Note 1) 68
Consolidated subsidiaries	4,801	(Note 2) 594	4,553	(Note 2) 797
Total	4,801	673	4,553	865

(Notes) 1. The non-audit services were basically various consulting services.
2. The non-audit services were basically various consulting services and assurance engagements.

(c) Policy on determination of audit fees

For determining the amount of audit fees, the Company conducts hearing of the audit plan and verify efficiency of audit services, including the number of days, hours for auditing, the number of subjects to be audited and the scope of audit, etc., and appropriateness of the estimate. The Company also discusses with the accounting auditor taking into consideration the formation of auditors and audit fees for the preceding fiscal year. In addition, the Audit Committee receives the audit plans of the accounting auditors and the results of discussion between the auditors and Executive Officers of the Company and approves the amount of the fees in advance of the Company's decision.

(d) Reasons why the Audit Committee accepted the audit fees

The Audit Committee has obtained necessary information and examined the status of the execution of duties by the accounting auditor, content of the audit plan, and grounds for calculating the estimated amount of fees, etc. and concluded that these are reasonable. Therefore, the Audit Committee has given the consent with regard to the fees etc. to accounting auditor, in accordance with Article 399, Paragraph 1 of the Companies Act.

(4) Compensation to Directors and Executive Officers

1) Policy on the determination of Compensation of Directors and Executive Officers

[Method of Determination of Policy]

The Company's Compensation Committee sets forth the Policy for Determining Individual Compensation of Directors and Executive Officer pursuant to applicable provisions of the Companies Act.

[Basic Policy]

Compensation for Directors and Executive Officers shall be determined in accordance with the following key policy.

- Compensation shall be commensurate with roles and responsibilities of each Director and Executive Officer.
- Compensation for Directors shall be such that it enables them to exercise functions of supervision of management effectively.
- Compensation for Executive Officers shall be reflected by considering the following factors;

(Alignment with the 2024 Mid-Term Management Plan)

In the Short-term incentive compensation and Long-term incentive compensation, set performance metrics toward the Mid-term Management Plan as Key Performance Indicator ("KPI") to encourage executives to achieve them.

(Establishment of compensation program and corporate performance program that foster a growth mindset)

Pursue an optimal balance between short and medium- to long-term performance about "growth," "improving profitability" and "cash generation", aiming for improvement of short-term performance and medium to long-term growth in corporate value.

Establish a compensation program that significantly rewards performance by setting stretched goals and commensurate compensation levels.

(Setting indicators to promote sustainable management)

Develop specific indicators and goals related to "Environments," "Business with Integrity" and "Quality of life" under its sustainability strategy, and encourage their implementation.

(Expansion of stock compensation that rewards growth in corporate value over the medium- to long- term)

Expand stock compensation to better align with medium to long-term corporate value.

- Competitive compensation levels with a global perspective

Ensure competitive compensation levels to attract and retain key executives in global market, regardless of their residence or origin, who lead global management of global organization.

- Compensation benchmarking with objectivity and transparency

Reference to the benchmarks in the US and European markets in addition to the benchmarks in the Japanese market for analysis and level-setting from multiple perspectives.

- Transparency and objectivity through enhanced compensation disclosure and shareholder engagement

Endeavor to gain investors' understanding and support through sufficient disclosure of the compensation program with a global perspective and ongoing shareholder engagement, and continuously improve the program based on the insights gained through the engagement.

[Compensation Structure]

(i) Matters relating to Directors

Compensation for Directors is basic remuneration as fixed pay. The amount of basic remuneration is decided by adjusting a basic amount to reflect full-time or part-time status, committee membership and position, and travel from place of residence, etc. A Director concurrently serving as an Executive Officer is not paid compensation as a Director.

(ii)Matters relating to Executive Officers

Compensation for Executive Officers consists of basic remuneration as fixed pay and short-term incentive compensation & long-term incentive compensation as variable pay. The basic amount of basic remuneration, short-term incentive compensation, and medium- and long-term incentive compensation is set based on the ratio of 1:1.2:2.0 as the standard, taking into account the composition of executive compensation for major global companies including the U.S. and European companies, in order to improve corporate value through the growth of global businesses. The higher position Executive Officers holds, the higher proportion of variable pay is set to the total annual compensation.

The method of determination of each type of compensation is as follows.

Basic remuneration

- The amount of basic remuneration is decided by adjusting a basic amount set in accordance with the relevant position to reflect the results of an assessment.

Short-term incentive compensation

- The amount of short-term incentive compensation is decided within the range of 0 to 200% of a basic amount set according to the relevant position by adjusting that amount to reflect financial results and individual performance. Evaluation items and proportion of evaluation item are as shown in the following table.

Evaluation items		Proportion of evaluation item		
		President (CEO)	Executive officers in charge of business	Executive officers in charge of corporate affairs
Financial Performance	Corporate	70%	30%	40%
	Division	—	30%	—
Individual goals		10%	20%	40%
Sustainability measurement		20%	20%	20%

- The amount of the financial performance linked component varies according to the evaluation of corporate performance and division performance.
    - Corporate performance is evaluated using consolidated revenues, profit index and cash flaw in order to measure the level of achievement of consolidated financial forecasts disclosed to stakeholders, including shareholders and investors.
    - Division performance is evaluated using consolidated revenues, profit index and cash flaw in order to measure the level of achievement of targets under the Mid-term Management Plan and the annual budgets for divisions.
- The amount of the individual goals linked component varies according to the evaluation of the level of achievement of individual target for each Executive Officer determined based on his/her responsibility.
- The amount of the sustainability measurement linked component varies according to the degree of achievement of the numerical goals about materiality which is established on the sustainability strategy.

Medium- and Long-term incentive compensation

- The target amount (Medium- and Long-term incentive compensation target (“LTI target”)) are decided based on the positions of Executive Officers, and the shares of Restricted Stock ("RS”) compensation with incumbency condition and Performance-linked Restricted Stock ("Performance-linked RS”) compensation are granted in order to propel management from a long-term perspective and to provide incentives to bring about a sustainable increase in enterprise value by further promoting senior management’s shared values with shareholders through the holding of shares during their term of office. The conditions, the grant ratio to LTI target and grant date of RS and Performance-Linked RS compensation are as follows;

<table>
<tr><th>Type of stock compensation</th><th colspan="2">Condition</th><th>The grant ratio to LTI target</th><th>Grant date of Restricted Stock</th></tr>
<tr><td>Restricted Stock Compensation</td><td colspan="2">Incumbency condition</td><td>30%</td><td>Every Fiscal Year</td></tr>
<tr><td rowspan="3">Performance-linked Restricted Stock</td><td colspan="2">Stock price condition</td><td>70%</td><td>After the end of the three fiscal years beginning with the base fiscal year</td></tr>
<tr><td rowspan="2">Conditions for achievement of Mid-term Management Plan targets</td><td>ROIC</td><td>10%</td><td rowspan="2">After the end of the final fiscal year of the Med-term Management Plan period</td></tr>
<tr><td>Sustainability targets</td><td>10%</td></tr>
</table>

- In RS compensation, the shares of RS equivalent to 30% of the LTI target are granted and the restriction on the shares is lifted depending on the tenure of each executive over the three fiscal years from the beginning of the fiscal year when the RS is granted.
- In Performance-linked RS compensation, the shares of Performance-linked RS Compensation will be granted depending on the degree of achievement of the evaluation KPI during a certain evaluation period, and restriction on transfer will be lifted upon retirement. Performance-linked RS compensation compromises of compensation with stock price condition and with conditions for achievement of Mid-term Management Plan targets.
    - In stock compensation with stock price condition, Performance Share Units (“PSUs”) equivalent to 70% of the LTI target are granted, and the shares of restricted stock equivalent to 0 ~ 200% of the PSUs are granted in accordance with the results of comparing the Total Shareholder Return growth rate of the Company stock with the TOPIX growth rate and with the stock price growth rates of comparable companies in global competition as determined by the Compensation Committee for the three fiscal years beginning at the beginning of the fiscal year to which the PSUs are granted.
    - In stock compensation with conditions for achievement of Mid-term Management Plan targets, PSUs equivalent to 20% of the LTI target are granted. The shares of restricted stock equivalent to the PSUs are granted when the target of ROIC and sustainability indicators during the period of Mid-term Management Plan covering the fiscal year when the PSUs are granted are achieved.
- If it is deemed to be inappropriate to grant the shares of restricted stock due to laws and regulations in the country of residence, etc., cash award based on the value of the Company’s share price shall be substituted for restricted stock.
- From Fiscal 2019, shares of restricted stock have been granted in place of the stock options as stock-based compensation the Company has granted until then. From Fiscal 2023, the medium- and long-term compensation described above is granted.

If it is found that an executive officer has been engaged in misconduct during his/her term of office, compensation for Executive Officers that has been already paid shall be returned to the Company.

With regard to persons who are hired externally such as foreign persons, a compensation package could be individually determined based on the level of compensation in a job market which is considered for compensation benchmarking while referring the above policy. The Company grants restricted stock units to non-Japanese Executive Officers as long-term incentive compensation. One third of vested restricted stock units are delivered in the form of shares of common stock of the Company and cash each fiscal year over three years from the beginning of the fiscal year containing the day on which restricted stock units are granted.

2) Amount of compensation

Category	Total amount of compensation, etc. (Millions of yen)	Total amount of each type (Millions of yen)				Number of persons
		Fixed pay	Variable pay		Others	
			Short-term incentive compensation	Medium- and long-term incentive compensation		
Directors (excluding Independent Directors)	60	60	–	–	–	1
Independent Directors	420	420	–	–	–	11
Executive Officers	4,849	1,726	1,693	1,429	–	33
Total	5,330	2,207	1,693	1,429	–	45

(Notes) 1. The number of Directors indicated excludes two Directors who serve or served concurrently as Executive Officers.

2. Fixed pay and short-term incentive compensation consist of monetary compensation, and medium- and long-term incentive compensation consists of non-monetary compensation and monetary compensation.

Performance indicators referred to in company performance evaluations for short-term incentive compensation are as follows.

(Unit: billions of yen)

Indicators	Fiscal year ended March 31, 2023	
	Target	Results
Revenues	9,500.0	10,881.1
Adjusted Operating Income	700.0	748.1
EBIT	890.0	845.6
Net income attributable to Hitachi, Ltd. stockholders	600.0	649.1

The TSR/TOPIX Growth Rate Ratios defined in conditions for exercising stock option as stock-based compensation (stock acquisition rights) and in conditions for lifting transfer restrictions of restricted stock issued as medium- and long-term incentive compensation are as follows.

Name	Term	Total shareholder return / TOPIX Growth Rate Ratio
The First Stock Acquisition Rights of Hitachi, Ltd.	From April 1, 2016 to March 29, 2019	125.8%
The Second Stock Acquisition Rights of Hitachi, Ltd.	From March 31, 2017 to March 31, 2020	121.6%
The Third Stock Acquisition Rights of Hitachi, Ltd.	From March 30, 2018 to March 31, 2021	120.5%
Restricted Stocks issued in May 2019	From April 1, 2019 to March 31, 2022	146.7%
Restricted Stocks issued in May 2020	From April 1, 2020 to March 31, 2023	167.2%
Restricted Stocks issued in May 2021	From April 1, 2021 to March 31, 2023 (Note)	149.1%
Restricted Stocks issued in May 2022	From April 1, 2022 to March 31, 2023 (Note)	117.6%

(Note) The ratios are calculated to determine the number of stock acquisition rights that can be exercised by persons who retire from Executive Officers, Directors or Corporate Officers on March 31, 2023.

In addition, Directors or Executive Officers whose compensation from the Company and its subsidiaries is not less than ¥100 million and the amount of their compensation are as follows:

Name	Company	Category	Total amount of each type (Millions of yen)				Total amount of compensation, etc. (Millions of yen)
			Fixed pay	Variable pay		Others (Note 3)	
				Short-term incentive compensation (Note 1)	Medium and Long-term incentive compensation (Note 2)		
Toshiaki Higashihara	Hitachi, Ltd. (The Company)	Executive Officer (Note 4)	102	116	185	—	404
Keiji Kojima	Hitachi, Ltd. (The Company)	Executive Officer (Note 4)	150	168	122	—	440
Masakazu Aoki	Hitachi, Ltd. (The Company)	Executive Officer	50	89	77	—	233
	Hitachi Global Life Solutions, Inc. (Consolidated subsidiary)	Director	4	3	—	—	
	Hitachi High-Tech Corporation (Consolidated subsidiary)	Chairman	4	3	—	—	
Yoshihiko Kawamura	Hitachi, Ltd. (The Company)	Executive Officer	55	67	59	—	189
	Hitachi Astemo, Ltd. (Consolidated subsidiary)	Chairman	4	3	—	—	
Alistair Dormer	Hitachi, Ltd. (The Company)	Executive Officer	—	—	161	—	317
	Hitachi Europe Ltd. (Consolidated subsidiary) (Note 5)	Chairman	49	79	20	5	
Toshiaki Tokunaga	Hitachi, Ltd. (The Company)	Executive Officer	60	83	53	—	196
Jun Abe	Hitachi, Ltd. (The Company)	Executive Officer	45	66	43	—	158
	Hitachi Information & Telecommunication Engineering, Ltd. (Consolidated subsidiary)	Director	2	1	—	—	
Katsuya Nagano	Hitachi, Ltd. (The Company)	Executive Officer	48	67	43	—	158
Hidenobu Nakahata	Hitachi, Ltd. (The Company)	Executive Officer	48	57	50	—	155
Masahiko Hasegawa	Hitachi, Ltd. (The Company)	Executive Officer	44	52	35	—	137
	Hitachi High-Tech Corporation (Consolidated subsidiary)	Director	3	2	—	—	
Claudio Facchin	Hitachi, Ltd. (The Company)	Executive Officer	366	239	55	—	661

Name	Company	Category	Total amount of each type (Millions of yen)				Total amount of compensation, etc. (Millions of yen)
			Fixed pay	Variable pay		Others (Note 3)	
				Short-term incentive compensation (Note 1)	Medium and Long-term incentive compensation (Note 2)		
Mamoru Morita	Hitachi, Ltd. (The Company)	Executive Officer	44	54	50	—	152
	Hitachi Metals, Ltd. (Consolidated subsidiary) (Note 6)	Director	3	—	—	—	
Tadashi Kume	Hitachi, Ltd. (The Company)	Executive Officer	36	41	28	—	106
Jun Taniguchi	Hitachi Digital LLC (Consolidated subsidiary) (Note 5)	CEO, Director	53	40	29	—	123
Lorena Dellagiovan-na	Hitachi, Ltd. (The Company)	Executive Officer	123	56	42	—	226
	Hitachi Industrial Equipment Systems Co., Ltd. (Consolidated subsidiary)	Director	2	1	—	—	
Kojin Nakakita	Hitachi, Ltd. (The Company)	Executive Officer	—	—	3	—	131
	Hitachi Asia Ltd. (Consolidated subsidiary) (Note 5)	Chairman of the Board	68	30	29	—	
Hideshi Nakatsu	Hitachi, Ltd. (The Company)	Executive Officer	36	41	23	—	100
Andrew Barr	Hitachi Rail Ltd. (Consolidated subsidiary) (Note 5)	Director	81	97	105	5	289
Shinya Mitsudomi	Hitachi, Ltd. (The Company)	Executive Officer	15	19	28	—	106
	Hitachi Building Systems Co., Ltd.	President and Director	18	20	—	—	
	Hitachi Global Life Solutions, Inc. (Consolidated subsidiary)	Director	2	1	—	—	
Kazunobu Morita	Hitachi, Ltd. (The Company)	Executive Officer	35	44	23	—	103

(Notes) 1. Compensations from the Company and consolidated subsidiaries paid depending on financial results and individual performances in the short term are collectively called.
2. Medium- and long-term incentive compensation is restricted stock compensation, restricted stock units or cash award based on the value of the Company's share price.
3. The "Others" column shows the fringe benefit equivalent, etc.
4. Although concurrently serving as Director for the fiscal year ended March 31, 2023, Messrs. Toshiaki Higashihara and Keiji Kojima did not receive compensation as Director.
5. The amount of the remuneration, etc. from foreign subsidiaries shows yen equivalent.
6. Hitachi Metals, Ltd. has ceased to be an affiliate of the Company through the share transfer on January 5, 2023. Hitachi Metals, Ltd. changed its name to Proterial, Ltd. on January 4, 2023.

3) Authorities, roles and activities of the Compensation Committee

The Compensation Committee, which was established under the Companies Act, includes Independent directors that have majority in the number of committee members, holds the legal authority to determine remuneration for Directors and Executive Officers, and strives to ensure the objectivity, transparency and fairness of the remuneration determination processes. The Compensation Committee has the authority to determine remuneration policies and the details of remuneration (amount of compensation, etc.) of Directors and Executive Officers individually based on the policies. To determine the details of remuneration individually, the Committee confirms and reviews processes and details with respect to the assessment of basic remuneration amounts, evaluation of performance and individual targets related to short-term incentive compensation.

The members and activities of the Compensation Committee are described in “(1)Corporate governance - 2) Outline of corporate organizations”.

(5) Information on shareholdings

(a) Criteria for classification of investment securities

The Company classifies investment securities that it holds into two types. If investment securities are held for the purpose of receiving benefits exclusively through stock price fluctuations or dividends, those are classified as investment securities for pure investment and the rest of investment securities are classified as investment securities owned for other purposes than pure investment.

(b) Equity securities held for purposes other than pure investment

(i) Policy for shareholding and examination of the reasonableness of holding

Under the basic policy, the Company will not acquire and hold other companies' shares except for cases where acquiring or holding such shares is necessary in terms of transactions or business relationship. The Company will promote reducing shares that it already owns unless significance of holding shares and economic rationales of holding are confirmed.

The Board of Directors verifies whether it is appropriate to hold shares for all stock the Company owns ever year. In such verification, each individual stock is re-examined as to the purpose of holding the shares and whether benefits from holding shares are in line with target level of capital efficiency. As the result of verification, the Company promotes the sales of shares for which significance of holding shares and economic rationale are not confirmed. Details of shares sold in the fiscal year ended March 31, 2023, are presented in (ii) below.

(ii) Number of stock names and balance sheet amount

	Number of stock names (stock names)	Total amount recorded in the balance sheet (millions of yen)
Unlisted stocks	136	21,768
Others	41	213,017

<Stocks increased in the fiscal year ended March 31, 2023>

	Number of stock names (stock names)	Total purchase price for the shares increased (millions of yen)	Reasons of increase
Unlisted stocks	2	160	Purchasing for strengthening and maintaining relationship for business and business transactions
Others	-	-	-

<Stocks decreased in the fiscal year ended March 31, 2023>

	Number of stock names (stock names)	Total selling price for the shares decreased (millions of yen)
Unlisted stocks	9	3,195
Others	9	84,017

(iii) The number and the amount recorded in the balance sheet, etc. of specified investment securities

Specified investment securities

Stock name	Fiscal year ended March 31, 2023 (Note 1)	Fiscal year ended March 31, 2022 (Note 1)	Purpose of holdings, the summary of business alliance and reasons for increases (Note 2)	Holding shares of Hitachi, Ltd.
	Number of shares (shares)	Number of shares (shares)		
	Balance sheet amount (Millions of yen)	Balance sheet amount (Millions of yen)		
Renesas Electronics Corporation	61,990,548	61,990,548	Acquired in relation to the reorganization, etc. of Renesas Technology Corp. which was an affiliate of the Company	No
	118,618	88,770		
Mitsubishi HC Capital Inc.	57,688,280	167,678,580	Acquired in relation to the reorganization, etc. of Hitachi Capital Corp. which was an affiliate of the Company	No
	39,458	95,576		
Western Digital Corporation	3,125,000	3,125,000	Acquired in relation to the reorganization, etc. of Hitachi Global Storage Technologies, Inc. which was a subsidiary of the Company	No
	15,556	18,989		
Central Japan Railway Company	900,000	900,000	Maintaining and enhancing business transactions of selling products and providing services in Railway Systems business	No
	14,229	14,368		
DAIICHI SANKYO COMPANY, LIMITED	900,000	900,000	Maintaining and enhancing business transactions of selling products and providing services in Industrial Digital business	No
	4,339	2,412		
East Japan Railway Company	406,200	406,200	Maintaining and enhancing business transactions of selling products and providing services in Railway Systems business	No
	2,979	2,888		
The Chiba Bank, Ltd.	3,000,000	3,269,000	Maintaining and enhancing business transactions of selling products and providing services in Financial Information Systems business	Yes
	2,565	2,370		
Sapporo Holdings Limited	597,600	597,600	Maintaining and enhancing business transactions of selling products and providing services in Industrial Digital business	Yes (Note 3)
	2,034	1,378		
Seibu Holdings Inc.	1,286,900	1,286,900	Maintaining and enhancing business transactions of selling products and providing services in Railway Systems business	No
	1,748	1,636		
Ono Pharmaceutical Co., Ltd.	600,000	600,000	Maintaining and enhancing business transactions of selling products and providing services in Industrial Digital business	Yes
	1,658	1,839		

Stock name	Fiscal year ended March 31, 2023 (Note 1) Number of shares (shares) Balance sheet amount (Millions of yen)	Fiscal year ended March 31, 2022 (Note 1) Number of shares (shares) Balance sheet amount (Millions of yen)	Purpose of holdings, the summary of business alliance and reasons for increases (Note 2)	Holding shares of Hitachi, Ltd.
West Japan Railway Company	215,000 1,173	215,000 1,094	Maintaining and enhancing business transactions of selling products and providing services in Railway Systems business	No
Electric Power Development Co., Ltd.	523,280 1,115	523,280 914	Maintaining and enhancing business transactions of selling products and providing services in Energy Business	Yes
Keio Corporation	206,574 959	206,574 988	Maintaining and enhancing business transactions of selling products and providing services in Railway Systems business	Yes
Seiko Electric Co., Ltd.	830,320 843	830,320 1,057	Maintaining and enhancing business transactions of purchasing raw materials and components, etc. in Cloud Services Platform business	Yes
TOKYU CORPORATION	394,016 694	394,016 627	Maintaining and enhancing business transactions of selling products and providing services in Railway Systems business	Yes (Note 3)
The Bank of Kyoto, Ltd.	100,000 625	100,000 535	Maintaining and enhancing business transactions of selling products and providing services in Financial Information Systems business	No
Tosoh Corporation	328,500 590	328,500 595	Maintaining and enhancing business transactions of selling products and providing services in Industrial Digital business	No
Kintetsu Group Holdings Co., Ltd.	104,291 444	104,291 365	Maintaining and enhancing business transactions of selling products and providing services in Railway Systems business	No
Keihan Holdings Co., Ltd.	121,927 421	121,927 367	Maintaining and enhancing business transactions of selling products and providing services in Railway Systems business	No
euglena Co., Ltd.	375,000 352	375,000 308	Maintaining and enhancing cooperative relationship in the area of R&D in Water & Environment business	No
The Keiyo Bank, Ltd.	550,275 311	550,275 272	Maintaining and enhancing business transactions of selling products and providing services in Financial Information Systems business	Yes

Stock name	Fiscal year ended March 31, 2023 (Note 1) Number of shares (shares) Balance sheet amount (Millions of yen)	Fiscal year ended March 31, 2022 (Note 1) Number of shares (shares) Balance sheet amount (Millions of yen)	Purpose of holdings, the summary of business alliance and reasons for increases (Note 2)	Holding shares of Hitachi, Ltd.
TOMONY Holdings, Inc.	679,200	679,200	Maintaining and enhancing business transactions of selling products and providing services in Financial Information Systems business	Yes (Note 3)
	239	222		
Taragaon Regency Hotel	508,030	508,030	Acquired as a result of substitute performance for past accounting receivables in Industrial Digital business	No
	239	187		
INNORULES CO., LTD.	150,000	150,000	Maintaining and enhancing cooperative relationship in the area of R&D in Financial Information Systems business (Note 4)	No
	179	31		
Nippon Yakin Kogyo Co., Ltd.	40,425	40,425	Maintaining and enhancing business transactions of selling products and providing services in Industrial Digital business	No
	172	113		
Aichi Financial Group, Inc.	74,112	—	Maintaining and enhancing business transactions of selling products and providing services in Financial Information Systems business (Note 5)	No
	159	—		
Kita-Nippon Bank, Ltd.	73,500	73,500	Maintaining and enhancing business transactions of selling products and providing services in Financial Information Systems business	Yes
	145	115		
ANA HOLDINGS INC.	50,000	50,000	Acquired as a result of substitute performance for accounting receivables in Industrial Digital business	No
	143	128		
Tochigi Bank, Ltd.	513,150	513,150	Maintaining and enhancing business transactions of purchasing raw materials and components, etc. in Financial Information Systems business	No
	140	113		
Daido Signal Co., Ltd.	300,000	300,000	Maintaining and enhancing business transactions of selling products and providing services in Railway Systems business	Yes
	129	178		
San ju San Financial Group, Inc.	73,623	73,623	Maintaining and enhancing business transactions of selling products and providing services in Financial Information Systems business	No
	116	108		

Stock name	Fiscal year ended March 31, 2023 (Note 1) Number of shares (shares) Balance sheet amount (Millions of yen)	Fiscal year ended March 31, 2022 (Note 1) Number of shares (shares) Balance sheet amount (Millions of yen)	Purpose of holdings, the summary of business alliance and reasons for increases (Note 2)	Holding shares of Hitachi, Ltd.
THE SHIGA BANK, LTD.	40,000 107	40,000 88	Maintaining and enhancing business transactions of selling products and providing services in Financial Information Systems business	No
Cybertrust Japan Co., Ltd.	64,000 100	64,000 240	Maintaining and enhancing business transactions of selling products and providing services in Cloud Services Platform Business	No
THE TAIKO BANK, LTD.	88,000 97	88,000 122	Maintaining and enhancing business transactions of selling products and providing services in Financial Information Systems business	No
Tokyo Kiraboshi Financial Group, Inc.	30,000 78	30,000 52	Maintaining and enhancing business transactions of selling products and providing services in Financial Information Systems business	Yes (Note 3)
Senshu Ikeda Holdings, Inc.	315,327 73	315,327 54	Maintaining and enhancing business transactions of selling products and providing services in Financial Information Systems business	No
THE DAITO BANK, LTD.	110,000 70	110,000 75	Maintaining and enhancing business transactions of selling products and providing services in Financial Information Systems business	No
THE BANK OF KOCHI, LTD.	69,900 47	69,900 52	Maintaining and enhancing business transactions of selling products and providing services in Financial Information Systems business	No
Tomato bank, Ltd.	30,000 30	30,000 31	Maintaining and enhancing business transactions of selling products and providing services in Financial Information Systems business	No
Nishi-Nippon Railroad Co., Ltd.	6,000 14	6,000 16	Maintaining and enhancing business transactions of selling products and providing services in Social Infrastructure Systems business	No
Procrea Holdings, Inc.	5,211 10	— —	Maintaining and enhancing business transactions of selling products and providing services in Financial Information Systems business (Note 6)	No

Stock name	Fiscal year ended March 31, 2023 (Note 1)	Fiscal year ended March 31, 2022 (Note 1)	Purpose of holdings, the summary of business alliance and reasons for increases (Note 2)	Holding shares of Hitachi, Ltd.
	Number of shares (shares)	Number of shares (shares)		
	Balance sheet amount (Millions of yen)	Balance sheet amount (Millions of yen)		
Shin-Etsu Chemical Co., Ltd.	—	521,000	Held for Maintaining and enhancing business transactions of selling products and providing services	Yes
	—	9,789		
Resonac Holdings Corporation	—	400,000	Held for Maintaining and enhancing business transactions of selling products and providing services	No
	—	972		
Maxell, Ltd.	—	801,500	Held for Maintaining and enhancing business relationship	No
	—	963		
The Aichi Bank, Ltd.	—	16,250	Held for Maintaining and enhancing business transactions of selling products and providing services (Note 5)	No
	—	73		
THE CHUKYO BANK, Ltd.	—	20,000	Held for Maintaining and enhancing business transactions of selling products and providing services (Note 5)	No
	—	31		
Jimoto Holdings, Inc.	—	30,000	Held for Maintaining and enhancing business transactions of selling products and providing services	No
	—	18		
The Michinoku Bank, Ltd.	—	11,330	Held for Maintaining and enhancing business transactions of selling products and providing services (Note 6)	No
	—	10		
THE NAGANO BANK, LTD.	—	6,900	Held for Maintaining and enhancing business transactions of selling products and providing services	No
	—	8		

(Notes)
1. Since the number of stock which the Company owned as of March 31, 2022 and March 31, 2023 is less than 60, all of the stocks are listed.
2. Since it is hard to state quantitative effects of holding the investment securities, such effects are not described. Regarding the way to verify significance and relations of holding shares are described in "(i) Policy for shareholding and examination of the reasonableness of holding."
3. Shareholding by major subsidiaries of the issuers of each stock is included.
4. The classification in accounting was changed to specified investment securities due to its new listing in the fiscal year ended March 31, 2023.
5. Aichi Financial Group, Inc. stock was allotted in return for The Aichi Bank, Ltd. stock and THE CHUKYO BANK, Ltd. stock through share transfer.
6. Procrea Holdings, Inc. stock was allotted in return for The Michinoku Bank, Ltd. stock through share transfer.

(c) Equity securities held for pure investment

None.

V. Financial Information

Refer to the consolidated financial statements incorporated in this Annual Securities Report.

VI. Stock-Related Administration for the Company

Fiscal year	From April 1 to March 31
Annual General Meeting of Shareholders	To be held within three months from the following day of the end of every fiscal year
Record date	End of every fiscal year
Record date for distribution of surplus	End of March and end of September
Number of shares constituting one unit	100 shares
Purchase and sale of shares less than one unit	
Handling office	(Special account) 11, Kanda Nishikicho 3-chome, Chiyoda-ku, Tokyo Main Office, Tokyo Securities Transfer Agent Co., Ltd.
Transfer agent	(Special account) Tokyo Securities Transfer Agent Co., Ltd.
Forward office	-
Purchasing and selling fee	Free of charge
Method of public notice	The Company's method of public notice is through electronic public notice. However, if the Company cannot use the above-mentioned method of public notice due to an accident or other inevitable reasons, Nihon Keizai Shimbun will be adopted as its medium.
Special benefit for Shareholders	None

(Notes)
1. Under the Articles of Incorporation, distribution of surplus through dividend payment, if any, will be made to shareholders of record as of March 31 and September 30 of each year. In addition, the Company may make further distributions of surplus to shareholders of record as of another record date.
2. The Articles of Incorporation provide that a holder of shares representing less than one unit does not have any other rights of a shareholder in respect of those shares, other than those specified in the Articles of Incorporation. This includes:
   (1) Rights under each item of Article 189, Paragraph 2 of the Companies Act;
   (2) Rights to be allotted rights to subscribe for free for new shares and stock acquisition rights when such rights are granted to shareholders; or
   (3) Rights stipulated in the Articles of Incorporation

VII. Reference Information on the Company

1. Information on a Parent Company, etc. of the Company

The Company has no parent company.

2. Other Reference Information

The Company filed the following documents during the period from the commencing date of the fiscal year ended March 31, 2023 to the filing date of this Annual Securities Report.

(1)	Annual Securities Report and documents attached, and Confirmation Letter (The 153rd business term (from April 1, 2021 to March 31, 2022))	Filed with the Director of the Kanto Local Finance Bureau on June 22, 2022
(2)	Internal Control Report	Filed with the Director of the Kanto Local Finance Bureau on June 22, 2022
(3)	Quarterly Report and Confirmation Letter	
	The First Quarter of the 154th business term (from April 1, 2022 to June 30, 2022)	Filed with the Director of the Kanto Local Finance Bureau on August 9, 2022
	The Second Quarter of the 154th business term (from July 1, 2022 to September 30, 2022)	Filed with the Director of the Kanto Local Finance Bureau on November 11, 2022
	The Third Quarter of the 154th business term (from October 1, 2022 to December 31, 2022)	Filed with the Director of the Kanto Local Finance Bureau on February 9, 2023
(4)	Extraordinary Report	
	Extraordinary Report pursuant to Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.	Filed with the Director of the Kanto Local Finance Bureau on June 23, 2022
	Extraordinary Report pursuant to Article 19, Paragraph 2, Item 9 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.	Filed with the Director of the Kanto Local Finance Bureau on December 14, 2022
	Extraordinary Report pursuant to Article 19, Paragraph 2, Item 3 and 12 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.	Filed with the Director of the Kanto Local Finance Bureau on March 30, 2023
(5)	Amended Extraordinary Report	
	Amendment to Extraordinary Report filed on June 23, 2022	Filed with the Director of the Kanto Local Finance Bureau on June 24, 2022
(6)	Report for Share Repurchase	Filed with the Director of the Kanto Local Finance Bureau on July 7, 2022 August 8, 2022 September 7, 2022 October 7, 2022 November 8, 2022 December 8, 2022 January 13, 2023 February 9, 2023 March 8, 2023 April 10, 2023 May 12, 2023 and June 8, 2023
(7)	Securities Registration Statement and documents attached	Filed with the Director of the Kanto Local Finance Bureau on April 27, 2023

(8)	Amended Securities Registration Statement (Amendment to Securities Registration Statement filed on April 27, 2023)	Filed with the Director of the Kanto Local Finance Bureau on May 12, 2023
(9)	Amended Shelf Registration Statement (Amended Shelf Registration Statement concerning the Shelf Registration Statement filed on June 28, 2021)	Filed with the Director of the Kanto Local Finance Bureau on April 28, 2022 June 20, 2022 June 23, 2022 June 24, 2022 December 14, 2022 and March 30, 2023

Part II Information on Guarantors, etc. for the Company

Not applicable.

Consolidated Financial Statements

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Consolidated Financial Statements

Consolidated Statement of Financial Position

Millions of yen

	Note	March 31, 2023	March 31, 2022
Assets			
Current assets			
Cash and cash equivalents	25	833,283	968,827
Trade receivables and contract assets	6,20,25	2,874,987	2,978,149
Inventories	7	1,646,188	2,042,432
Investments in securities and other financial assets	11,25	346,916	376,315
Other current assets		227,161	233,708
Total current assets		5,928,535	6,599,431
Non-current assets			
Investments accounted for using the equity method	5,8	478,620	411,201
Investments in securities and other financial assets	11,25	496,897	584,806
Property, plant and equipment	9	1,700,471	2,478,901
Goodwill	5,10	2,165,350	2,153,706
Other intangible assets	5,10	1,244,688	1,257,128
Other non-current assets	12	486,853	402,329
Total non-current assets		6,572,879	7,288,071
Total assets		12,501,414	13,887,502
Liabilities			
Current liabilities			
Short-term debt	25	777,650	1,234,119
Current portion of long-term debt	25	141,861	336,418
Other financial liabilities	25	263,748	294,047
Trade payables	13	1,548,497	1,754,633
Accrued expenses		720,961	738,030
Contract liabilities	20	1,241,366	1,069,732
Other current liabilities	14	472,095	427,087
Total current liabilities		5,166,178	5,854,066
Non-current liabilities			
Long-term debt	25	1,293,837	1,556,175
Retirement and severance benefits	15	323,264	414,839
Other non-current liabilities	8,12,14,25	382,568	707,145
Total non-current liabilities		1,999,669	2,678,159
Total liabilities		7,165,847	8,532,225
Equity			
Hitachi, Ltd. stockholders' equity			
Common stock	16,19	462,817	461,731
Capital surplus	5,16,19,25	-	46,119
Retained earnings	16,18	3,637,184	3,197,725
Accumulated other comprehensive income	17	846,392	639,263
Treasury stock, at cost	16	(3,539)	(3,002)
Total Hitachi, Ltd. stockholders' equity		4,942,854	4,341,836
Non-controlling interests	5,25	392,713	1,013,441
Total equity		5,335,567	5,355,277
Total liabilities and equity		12,501,414	13,887,502

See accompanying notes to consolidated financial statements.

Consolidated Statement of Profit or Loss

Years ended March 31, 2023 and 2022 — Millions of yen

	Note	2023	2022
Revenues	20	10,881,150	10,264,602
Cost of sales		(8,192,063)	(7,705,981)
Gross profit		2,689,087	2,558,621
Selling, general and administrative expenses		(1,940,943)	(1,820,385)
Other income	5,21	302,196	128,354
Other expenses	5,15,21	(245,016)	(83,965)
Financial income	22	7,878	27,938
Financial expenses	22	(20,417)	(97)
Share of profits (losses) of investments accounted for using the equity method	8	52,847	40,485
EBIT (Earnings before interest and taxes)		845,632	850,951
Interest income		25,652	15,492
Interest charges		(51,313)	(27,110)
Income before income taxes		819,971	839,333
Income taxes	12	(116,101)	(168,469)
Net income		703,870	670,864
Net income attributable to:			
Hitachi, Ltd. stockholders		649,124	583,470
Non-controlling interests		54,746	87,394
Earnings per share attributable to Hitachi, Ltd. stockholders	23		Yen
Basic		684.55	603.75
Diluted		683.89	602.96

Consolidated Statement of Comprehensive Income

Years ended March 31, 2023 and 2022 — Millions of yen

	Note	2023	2022
Net income		703,870	670,864
Other comprehensive income (OCI)	17		
Items not to be reclassified into net income			
Net changes in financial assets measured at fair value through OCI		21,484	(11,224)
Remeasurements of defined benefit plans		40,202	30,795
Share of OCI of investments accounted for using the equity method		1,511	(403)
Total items not to be reclassified into net income		63,197	19,168
Items that can be reclassified into net income			
Foreign currency translation adjustments		232,360	391,489
Net changes in cash flow hedges		7,265	8,172
Share of OCI of investments accounted for using the equity method		14,595	41,207
Total items that can be reclassified into net income		254,220	440,868
Other comprehensive income (OCI)		317,417	460,036
Comprehensive income		1,021,287	1,130,900
Comprehensive income attributable to:			
Hitachi, Ltd. stockholders		905,819	958,008
Non-controlling interests		115,468	172,892

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Year ended March 31, 2023 | Millions of yen

	2023							
	Common stock (note 16)	Capital surplus (notes 5 and 16)	Retained earnings (notes 16 and 18)	Accumulated other comprehensive income (note 17)	Treasury stock, at cost (note 16)	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests (note 5)	Total equity
Balance at beginning of year	461,731	46,119	3,197,725	639,263	(3,002)	4,341,836	1,013,441	5,355,277
Changes in equity								
Reclassified into retained earnings	-	-	72,970	(72,970)	-	-	-	-
Net income	-	-	649,124	-	-	649,124	54,746	703,870
Other comprehensive income	-	-	-	256,695	-	256,695	60,722	317,417
Dividends to Hitachi, Ltd. stockholders	-	-	(129,148)	-	-	(129,148)	-	(129,148)
Dividends to non-controlling interests	-	-	-	-	-	-	(34,828)	(34,828)
Acquisition of treasury stock	-	-	-	-	(200,212)	(200,212)	-	(200,212)
Sales of treasury stock	-	(94)	-	-	258	164	-	164
Cancellation of treasury stock	-	(199,417)	-	-	199,417	-	-	-
Issuance of new shares (note 19)	1,086	1,086	-	-	-	2,172	-	2,172
Transfer to capital surplus from retained earnings	-	153,487	(153,487)	-	-	-	-	-
Changes in non-controlling interests	-	(1,181)	-	23,404	-	22,223	(701,368)	(679,145)
Total changes in equity	1,086	(46,119)	439,459	207,129	(537)	601,018	(620,728)	(19,710)
Balance at end of year	462,817	-	3,637,184	846,392	(3,539)	4,942,854	392,713	5,335,567

Year ended March 31, 2022 | Millions of yen

	2022							
	Common stock (note 16)	Capital surplus (notes 16 and 25)	Retained earnings (notes 16 and 18)	Accumulated other comprehensive income (note 17)	Treasury stock, at cost (note 16)	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests (note 25)	Total equity
Balance at beginning of year	460,790	84,040	2,710,604	273,561	(3,493)	3,525,502	932,730	4,458,232
Changes in equity								
Reclassified into retained earnings	-	-	14,861	(14,861)	-	-	-	-
Net income	-	-	583,470	-	-	583,470	87,394	670,864
Other comprehensive income	-	-	-	374,538	-	374,538	85,498	460,036
Dividends to Hitachi, Ltd. stockholders	-	-	(111,210)	-	-	(111,210)	-	(111,210)
Dividends to non-controlling interests	-	-	-	-	-	-	(63,647)	(63,647)
Acquisition of treasury stock	-	-	-	-	(251)	(251)	-	(251)
Sales of treasury stock	-	(291)	-	-	742	451	-	451
Issuance of new shares (note 19)	941	941	-	-	-	1,882	-	1,882
Changes in non-controlling interests	-	(38,571)	-	6,025	-	(32,546)	(28,534)	(61,080)
Total changes in equity	941	(37,921)	487,121	365,702	491	816,334	80,711	897,045
Balance at end of year	461,731	46,119	3,197,725	639,263	(3,002)	4,341,836	1,013,441	5,355,277

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Years ended March 31, 2023 and 2022 — Millions of yen

	Note	2023	2022
Cash flows from operating activities:			
Net income		703,870	670,864
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization		526,310	540,252
Impairment losses		129,894	35,091
Income taxes		116,101	168,469
Share of (profits) losses of investments accounted for using the equity method		(52,847)	(40,485)
Financial income and expenses		18,204	(2,012)
Net (gain) loss on business reorganization and others		(297,351)	(102,135)
(Gain) loss on sale of property, plant and equipment		(2,465)	(21,066)
Change in trade receivables and contract assets		(60,673)	(33,292)
Change in inventories		(244,346)	(330,187)
Change in trade payables		43,964	156,475
Change in accrued expenses		36,826	9,679
Change in retirement and severance benefits		49,935	(29,122)
Other		28,182	(52,596)
Subtotal		995,604	969,935
Interest received		25,675	16,372
Dividends received		26,419	18,824
Interest paid		(49,770)	(26,698)
Income taxes paid	24	(170,883)	(248,490)
Net cash provided by (used in) operating activities		827,045	729,943
Cash flows from investing activities:			
Purchase of property, plant and equipment		(252,638)	(296,968)
Purchase of intangible assets		(157,947)	(142,893)
Proceeds from sale of property, plant and equipment, and intangible assets		55,580	109,836
Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)		(106,069)	(933,200)
Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)		616,317	168,892
Other		(4,180)	45,467
Net cash provided by (used in) investing activities		151,063	(1,048,866)
Cash flows from financing activities:	24		
Change in short-term debt, net		(277,685)	653,244
Proceeds from long-term debt		80,062	44,798
Payments on long-term debt		(288,795)	(305,943)
Proceeds from payments from non-controlling interests		310	-
Dividends paid to Hitachi, Ltd. stockholders		(129,005)	(111,149)
Dividends paid to non-controlling interests		(52,217)	(56,338)
Acquisition of common stock for treasury		(200,212)	(251)
Proceeds from sales of treasury stock		164	451
Purchase of shares of consolidated subsidiaries from non-controlling interests		(274,687)	(22,009)
Other		(901)	(64)
Net cash provided by (used in) financing activities		(1,142,966)	202,739
Effect of exchange rate changes on cash and cash equivalents		29,314	69,125
Change in cash and cash equivalents		(135,544)	(47,059)
Cash and cash equivalents at beginning of year		968,827	1,015,886
Cash and cash equivalents at end of year		833,283	968,827

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(1) Nature of Operations

Hitachi, Ltd. (the Company) is a corporation domiciled in Japan, whose shares are listed on the Tokyo Stock Exchange. The accompanying consolidated financial statements comprise the Company, its subsidiaries and the Company's interests in associates and joint ventures. The Company's and its subsidiaries' businesses are global and diverse, and include manufacturing and services in seven segments consisting of Digital Systems & Services, Green Energy & Mobility, Connective Industries, Automotive Systems, Hitachi Construction Machinery, Hitachi Metals and Others.

(2) Basis of Presentation

As the Company meets the requirements of a "Specified Company applying Designated International Financial Reporting Standards" pursuant to Article 1-2 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance of Japan No. 28 of 1976), the consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as permitted by the provision of Article 93 of the Ordinance. The Company's fiscal year begins on April 1 and ends on March 31 of the following calendar year.

The Company's consolidated financial statements have been prepared on a historical cost basis, except for derivative assets and liabilities, financial assets and liabilities measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income and assets and liabilities associated with defined benefit plans.

The consolidated financial statements are presented in millions of Japanese yen, the functional currency of the Company.

Management of the Company has made a number of judgments, estimates and assumptions relating to the application of accounting policies, reporting of revenues and expenses and assets and liabilities in the preparation of these consolidated financial statements. Actual results could differ from those estimates.

Estimates and assumptions are continually evaluated. The effect of a change in accounting estimates, if any, is recognized in the reporting period in which the change was made and in future periods.

The information regarding judgments used in applying accounting policies that could have a material effect on the Company's consolidated financial statements is included in the following notes:

- note 3. *(a) Basis of Consolidation*
- note 3. *(d) Financial Instruments* and note 25. Financial Instruments and Related Disclosures

The information regarding uncertainties arising from assumptions and estimates that could result in material adjustments in the subsequent consolidated financial statements is included in the following notes:

- note 3. *(j) Impairment of Non-financial Assets,* note 9. Property, Plant and Equipment and note 10. Goodwill and Other Intangible Assets
- note 3. *(k) Retirement and Severance Benefits* and note 15. Employee Benefits
- note 3. *(l) Provisions,* note 3. *(n) Revenue Recognition,* note 14. Provisions and note 20. Revenues
- note 3. *(o) Income Taxes* and note 12. Deferred Taxes and Income Taxes

(3) Summary of Significant Accounting Policies

(a) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control is obtained when the Company has risks or rights to variable returns from its involvement with the entity and has the ability to use its power over the entity to affect the variable returns.

The Company consolidates all subsidiaries from the date on which the Company acquires control until the date on which the Company loses control.

Subsidiaries' financial statements are adjusted as necessary if their accounting policies differ from those of the Company.

Changes in ownership interests in subsidiaries without a loss of control are accounted for as equity transactions. Changes in ownership interests in subsidiaries with a loss of control are accounted for by derecognizing assets and liabilities, non-controlling interests, equity and accumulated other comprehensive income (AOCI) attributable to the subsidiaries.

(ii) Associates and Joint Ventures

Associates are entities over whose operational and financial policies the Company has the ability to exercise significant influence but which are not controlled by the Company.

Joint ventures are jointly controlled by more than one party, including the Company, and require unanimous agreement of all parties in deciding operational and financial policies of the entity.

Investments in associates and joint ventures are accounted for using the equity method. The consolidated financial statements of the Company include changes in profit or loss and other comprehensive income (OCI) of these associates and joint ventures from the date on which the Company obtains significant influence or joint control to the date on which it loses significant influence or joint control. The financial statements of the associates and joint ventures are adjusted as necessary if their accounting policies differ from those of the Company.

(iii) Structured Entities

The Company consolidates structured entities in case it is exposed or has rights to variable returns from its involvement with such entities and has the ability to affect those returns through its power over the entities.

(b) Cash Equivalents

Cash equivalents are highly liquid investments with insignificant risk of changes in value, with original maturities of three months or less from the date of acquisition.

(c) Foreign Currency Translation

The consolidated financial statements are presented in Japanese yen, which is the Company's functional currency.

(i) Foreign Currency Transactions

Foreign currency transactions are converted into the functional currency of each company using the exchange rate prevailing at the transaction date or a rate that approximates such rate. Monetary assets and liabilities denominated in foreign currencies are converted into the functional currency using the exchange rate at the end of the reporting period. Foreign exchange gains and losses resulting from the currency conversion and settlement are recognized in profit or loss, except where gains and losses on assets or liabilities are recognized in OCI, foreign exchange effects relating to such assets or liabilities are also recognized in OCI, and presented in AOCI.

(ii) Foreign Operations

Assets and liabilities of foreign entities are translated into Japanese yen using the exchange rate at the end of the reporting period, and revenue and expense items are translated using the average exchange rates during the period. Gains or losses derived from translating foreign entities' financial statements are recognized in OCI, and presented in AOCI.

(d) Financial Instruments

(i) Non-derivative Financial Assets

The Company initially recognizes trade and other receivables on the date such receivables arise. All other financial assets are initially recognized at the transaction date, on which the Company becomes a party to the agreement.

The Company derecognizes financial assets when contractual rights to cash flows from the financial assets expire or when the contractual rights to receive cash flows from the financial assets are transferred in transactions where the risks and economic rewards of owning the financial assets are substantially transferred. In transactions where the risks and economic rewards of owning the financial assets are neither substantially transferred nor retained, the Company continues to recognize the financial assets to the extent of its continuing involvement and derecognizes such financial assets only if its control is transferred.

The classification and measurement model of non-derivative financial assets is summarized as follows:

Financial Assets Measured at Amortized Cost

Financial assets are subsequently measured at amortized cost in case they meet the following requirements:

・The financial asset is held within a business model with the objective of collecting contractual cash flows.

・The contractual terms of the financial asset provide cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially measured at fair value (including direct transaction costs). The carrying amount of financial assets measured at amortized cost is subsequently measured using the effective interest method. Interest accrued on financial assets measured at amortized cost is included in Interest income in the consolidated statement of profit or loss.

Financial assets measured at fair value through other comprehensive income

The Company holds certain equity instruments with the purpose of expanding its revenue base by maintaining and strengthening business relations with the investees. These equity instruments are classified as Financial assets measured at fair value through other comprehensive income by designation. They are initially and subsequently measured at fair value (including direct transaction costs), and the changes in fair value are recognized in OCI. The cumulative amount of OCI is recognized in equity as AOCI. Dividends on equity instruments designated as fair value through other comprehensive income are recognized in profit or loss, except where they are considered to be a return of the investment.

Financial assets measured at fair value through profit or loss

Equity instruments not designated as Financial assets measured at fair value through other comprehensive income and debt instruments not classified as financial assets measured at amortized cost are classified as Financial assets measured at fair value through profit or loss. These instruments are subsequently measured at fair value (including direct transaction costs) and the changes in fair value are recognized in profit or loss.

Impairment of Financial Assets

On a regular basis, but no less frequently than at the end of each quarterly reporting period, the Company evaluates the allowance for doubtful receivables based on expected credit losses on trade receivables, contract assets, and other receivables depending on whether the credit risk has increased significantly since initial recognition.

If the credit risk has increased significantly since initial recognition, the allowance for doubtful receivables is measured at the amount equal to the lifetime expected credit losses on the financial assets. If the credit risk has not increased significantly since initial recognition, the allowance for doubtful receivables is measured at the amount equal to 12-month expected credit losses. However, for trade receivables, contract assets, and lease receivables, allowance for doubtful receivables is always measured at the amount equal to the lifetime expected credit losses.

Whether credit risk has increased significantly is determined based on changes in the risk of default. Default is defined as the state in which a critical problem with debtor's payment of contractual cash flows has been identified and there are no reasonable expectations of recovering the financial asset in its entirety or a portion. To determine whether there have been any changes in the risk of default, external credit ratings, past due information and other factors are mainly taken into consideration.

Expected credit losses are measured by taking the probability weighted average of the discounted present values of differences between the total amount of the contractual cash flows and the total amount of cash flows expected to be received in the future from the financial assets. If one or more events occur, such as overdue payments, extended payment terms, negative evaluation by third party credit rating agencies, and/or a deterioration in financial position and operating results, including capital deficit, the financial assets are individually assessed as credit-impaired financial assets and expected credit losses are measured based mainly on historical credit loss experience, future collectible amounts and other factors. The expected credit losses on the financial assets that are not credit-impaired are measured through collective assessment based mainly on provision rates depending on historical credit loss experience adjusted by the current and future economic situation and other factors, if necessary.

For the expected credit losses on trade receivables, contract assets, and other receivables, the allowances for doubtful receivables are recorded instead of directly reducing the carrying amounts. Changes in expected credit losses are recognized in profit or loss as impairment losses and are included in Selling, general and administrative expenses in the consolidated statement of profit or loss. For financial assets, after all means of collection have been exhausted and the potential for recovery is considered remote, it is determined that there are no longer any reasonable expectations of recovering the financial assets in their entirety or a portion and the carrying amounts are generally written off.

(ii) Non-derivative Financial Liabilities

The Company initially recognizes debt instruments on the date of issuance. All other financial liabilities are initially recognized at the transaction date, on which the Company becomes a party to the agreement.

The Company derecognizes financial liabilities if extinguished, or if the obligation in the contract is redeemed or the liability is discharged, cancelled or expires.

Non-derivative financial liabilities the Company holds include bonds, debts, trade payables and other financial liabilities. They are initially measured at fair value (less direct transaction costs), and bonds and long-term debt are subsequently measured at amortized cost using the effective interest method. Interest accrued on these financial liabilities is included in Interest charges in the consolidated statement of profit or loss.

(iii) Derivatives and Hedge Accounting

The Company uses derivative instruments including forward exchange contracts, cross currency swaps and interest rate swaps in order to hedge foreign currency exchange risks and interest rate risks. All derivatives are measured at fair value irrespective of the objective and intent of holding them.

The Company accounts for hedging derivatives as follows:

- Fair value hedge: a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment. The changes in fair value of the recognized assets or liabilities or unrecognized firm commitments and the related derivatives are both recorded in profit or loss if the hedge is considered effective.
- Cash flow hedge: a hedge of a forecast transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability. The changes in fair value of the derivatives designated as cash flow hedges are recorded in other comprehensive income (OCI) if the hedge is considered effective. This treatment continues until profit or loss is affected by the variability of cash flows or the unrecognized firm commitment of the designated hedged item, when changes in fair value of the derivative are recognized in profit or loss. If a non-financial asset or a non-financial liability is recognized due to a hedged forecast transaction, the changes in the fair value of the derivative recognized in OCI are included directly in the acquisition cost or other carrying amount of the asset or liability when the asset or liability is recognized.

The Company follows the documentation requirements as prescribed by IFRS 9 “Financial Instruments”, which includes the risk management objective and strategy for undertaking various hedge transactions. In addition, a formal assessment is made at the hedge’s inception and subsequently on a periodic basis, as to whether the derivative used in hedging activities is effective in offsetting changes in fair values or cash flows of the hedged items. Hedge accounting is discontinued if a hedge becomes ineffective.

(iv) Offsetting Financial Assets and Liabilities

Financial assets and liabilities are offset and reported as net amounts in the consolidated statement of financial position, only if the Company currently has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

(e) Put Options of Non-controlling Interests

The Company and its subsidiaries recognize put options on shares of subsidiaries held by non-controlling interests as financial liabilities at the present value of the exercise price. The Company derecognizes the non-controlling interests and recognizes the difference between the present value and non-controlling interests in capital surplus.

(f) Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the specific identification method or by the moving average method for finished goods, semi-finished goods and work in process, and generally by the moving average method for raw materials. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to sell.

(g) Property, Plant and Equipment

Property, plant and equipment are measured using the cost model and stated at cost less accumulated depreciation and accumulated impairment losses. Acquisition cost includes direct costs of acquisition, costs of dismantling, removing and restoration of the assets. Each asset is depreciated mainly using the straight-line method over the following estimated useful lives for major classes of assets:

Buildings and structures	2 to 60 years
Machinery, equipment and vehicles	2 to 17 years
Tools, furniture and fixtures	2 to 20 years
Right-of-use assets	2 to 40 years

Estimated useful lives and the method of depreciation are reviewed at the fiscal year end. Changes in estimated useful lives or depreciation method are accounted for on a prospective basis as a change in accounting estimate.

(h) Goodwill and Other Intangible Assets

Other intangible assets with finite useful lives are measured using the cost model and stated at cost less accumulated amortization and impairment losses. Each asset is amortized mainly using the straight-line method over the following estimated useful lives for major classes of assets:

Software for internal use	2 to 10 years
Software for sale	2 to 10 years
Other	2 to 20 years

Goodwill and Other intangible assets with indefinite useful lives are stated at cost less accumulated impairment losses.

(i) Leases

(i) Lessee

The Company and certain subsidiaries lease facilities, mainly buildings, machines, and vehicles, and recognize a right-of-use asset, a right to use the underlying asset, and a lease liability, an obligation to make lease payments, and recognize lease costs as depreciation charges for right-of-use assets and interest expenses on lease liabilities. Lease payments for short-term leases with a lease term of 12 months or less are recognized in profit or loss on a straight-line basis.

Right-of-use asset

A lessee shall apply a cost model to measure the right-of-use asset, and shall present the corresponding amount in Property, Plant and Equipment or Other intangible assets as the amount of the right-of-use asset at cost at the commencement date of the lease less any accumulated depreciation and any accumulated impairment losses. The right-of-use asset at cost includes the amount of the initial measurement of the lease liability and the initial direct cost incurred by the lessee. The lessee shall depreciate the right-of-use asset from the commencement date of the lease to the earlier of the end of the useful life of the underlying asset or the end of the lease term on a straight-line basis. Changes in the useful life or the lease term are accounted for on a prospective basis as a change in accounting estimate.

Lease liability

The lease liability is measured at the present value of lease payments that are not paid at the commencement date of the lease, discounted using the interest rate implicit in the lease or the lessee's incremental borrowing rate, and is included in the Current portion of long-term debt or Long-term debt. Interest expense on the lease liability in each period during the lease term that produce a constant periodic rate of interest on the remaining balance of the lease liability is recognized in profit or loss over the lease term and is included in Interest charges in the consolidated statement of profit or loss.

(ii) Lessor

The Company and certain subsidiaries, as lessors, lease facilities, mainly buildings, machines, and equipment, whereby substantially all the risks and rewards incidental to the ownership of items of property, plant and equipment are transferred to the lessee. Therefore, such leases are classified as finance leases with the recognition of the underlying asset discontinued and the present value of the total amount of lease payments is used to recognize and measure the net investment in the lease.

If substantially all the risks and rewards incidental to the ownership remain with the lessor in a lease, it is classified as an operating lease, and the underlying asset is continuously recognized, and lease income is recognized over the lease term on a straight-line basis.

(j) Impairment of Non-Financial Assets

For each non-financial asset, the Company reviews the carrying amount and tests for impairment if there are events or circumstances indicating an asset's carrying amount may not be recoverable. For an asset that does not generate cash flows that are largely independent of the cash flows from other assets, the Company considers indicators of impairment based on a cash generating unit (CGU) or a group of CGUs. Irrespective of any indicators of impairment, the Company tests intangible assets with indefinite useful lives and goodwill for impairment annually, mainly in the fourth quarter, by estimating the recoverable amount of each CGU (or group of CGUs) to which such assets are allocated.

The Company measures the recoverable amount of an asset or a CGU (or a group of CGUs) as the higher of fair value less costs of disposal and value in use. In measuring fair values, the Company and its subsidiaries primarily use the income approach (present value technique) based on the estimated future cash flows expected to result from the use of the asset and its eventual disposal or the market approach to derive reasonable estimates of values in orderly market transactions, such as comparisons of similar public companies and the current gross value of the asset. The Company consults with outside specialists, as appropriate, depending on the complexity of estimating fair values. Value in use is calculated by the estimated future cash flows based on business plans approved by management, discounted at the discount rate which is derived from the weighted average cost of capital. The business plan used is based on external information, reflects historical experiences, and generally has a maximum of five years. Since the Company and its subsidiaries are engaged in a wide range of business activities from development, production and sales of diverse products and the provision of various services, appropriate external information for each business activity is used for evaluating value in use for each business. Estimated cash flows beyond the period covered by the business plan are calculated using the estimated growth rate not exceeding the long-term average growth rate of the market to which the asset belongs. Although a certain amount of negative impact caused by soaring material prices and a shortage of semiconductors is included in current business plans, these plans may be affected by risks related to market or economic environment, and actual result may differ from the estimates. In addition, the discount rate used to calculate the value in use is affected by stock market trends and fluctuations in interest rates.

If the carrying amount of the asset or the CGU (or the group of CGUs) exceeds its recoverable amount, an impairment loss is recognized at the excess amount.

For an asset or a CGU (or a group of CGUs) other than goodwill, its recoverable amount is subsequently estimated if there is a significant change in facts and circumstances and there is an indication that an impairment loss previously recognized on the asset may no longer exist or has decreased. If the estimated recoverable amount exceeds the carrying amount, the impairment loss recognized previously is reversed to the extent of the carrying amount that would have been recorded, net of depreciation or amortization, if impairment had not been recognized previously.

(k) Retirement and Severance Benefits

The Company and certain subsidiaries have defined benefit pension plans, severance lump-sum payment plans and defined contribution plans to provide retirement and severance benefits to employees.

(i) Defined Benefit Plans

Defined benefit pension plans include defined benefit pension plans and severance lump-sum payment plans. The present value of defined benefit obligations and retirement benefit costs are measured based on the projected unit credit method. The present value of defined benefit obligations and the fair value of plan assets are remeasured as of the end of reporting period. Actuarial differences arising during the year and changes in fair value of plan assets (excluding interest income) are recognized in OCI and are not subsequently reclassified into profit or loss. Any prior service cost, which arises at the time of a plan amendment, is recognized immediately in profit or loss when such an amendment occurs. The present value of defined benefit obligations less the fair value of plan assets is presented as the net amount of defined benefit liability or asset in non-current liabilities or assets.
The measurement of a significant amount of employee retirement benefit costs is derived from actuarial valuations containing a number of actuarial assumptions including mortality, withdrawal and retirement rates, changes in wages and the discount rate. The Company and its subsidiaries make judgments regarding the actuarial assumptions used by taking into account various factors including personnel demographics, market conditions and expected trends in interest rates. Actuarial assumptions are determined based on the best estimates and judgments, but may be affected by variance of uncertain economic conditions in the future or by amendments or issuance of related laws.

(ii) Defined Contribution Plans

Defined contribution pension plans are post-employment benefit plans in which the employer pays a certain amount of premiums to the third-party asset manager but has no legal or constructive obligation to pay in excess of such contributions. Contributions to the defined contribution plans are recognized in profit or loss in the period when the service is provided by the employees.

(l) Provisions

The Company recognizes provisions if it has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of obligation can be reliably estimated. Provisions may be affected by unexpected events or changes in circumstances, and actual payments may differ from the estimates.

In case that the time to settle an obligation is expected to be long, and thus the time value of money is material, the amount of a provision is measured at the present value of the amount of expenditures expected to be required to settle the obligation.

(m) Contingencies

The Company discloses contingent liabilities in accordance with International Accounting Standards (IAS) 37 “Provisions, Contingent Liabilities and Contingent Assets” if an obligation does not meet the recognition criteria of provisions prescribed above in *(l) Provisions*, excluding those where the possibility of an outflow of resources is remote.

The Company and its subsidiaries have financial guarantee contracts that require them to make payments to compensate the holder for a loss it incurs if a specified debtor defaults on payment based on the terms of a debt instrument.

(n) Revenue Recognition

The Company recognizes revenue in accordance with the following five-step approach.

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the Company satisfies a performance obligation

The Company offers multiple solutions to meet its customers' needs which may involve the delivery or performance of multiple elements, such as goods or services. When the Company enters into multiple contracts for providing the goods or services, related contracts are combined based on interdependencies between each contract's consideration and the time the Company entered into such contracts, and the transaction price is allocated to each performance obligation on the basis of the relative stand-alone selling prices of each distinct goods or services for the purpose of recognizing revenue.

In estimating the stand-alone selling price, the Company considers various factors such as market conditions, entity-specific factors and information about the customer or situation of customer.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer. Variable consideration, such as discounts and rebates, is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The promised amount of consideration does not include a significant financing component.

For a performance obligation satisfied over time, the Company measures its progress towards complete satisfaction of that performance obligation based on the costs incurred or the period of services being provided in consideration of the nature of the goods and services for the purpose of recognizing revenue. When the Company cannot reasonably measure the progress, revenue is recognized only to the extent of the costs incurred.

The Company recognizes the incremental costs of obtaining a contract with a customer and the costs directly related to fulfilling a contract as an asset if those costs are expected to be recovered, and those assets are amortized based on the methods used to recognize revenue of the goods or services to which the assets relate. The Company recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset is less than one year.

Revenue recognition under long-term projects requires significant assumptions about the estimated total cost, estimated total selling price, risk associated with the contract, and other factors. These estimates are subject to variance of uncertain economic conditions in the future and may vary due to a variety of reasons beyond our control. The Company reviews these estimates on an ongoing basis and reflects them in accounting practices.

(o) Income Taxes

Deferred tax assets and liabilities resulting from temporary differences and others are accounted for based on a liability method. Deferred tax liabilities are not recognized for temporary differences arising from goodwill, temporary differences arising from an asset or liability in a transaction other than a business combination, which at the time of transaction affects neither accounting nor taxable income and future taxable difference arising from investments in subsidiaries, associates and joint ventures where that the Company is able to control the timing of reversal of the temporary difference while it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which unused tax loss carryforwards, unused tax credits and future deductible temporary differences can be utilized. A certain amount of negative impact caused by soaring material prices and a shortage of semiconductors is included in estimates of future taxable income. The timing and amounts of taxable income may be affected by fluctuations due to uncertain economic conditions in the future, and the actual timing and amounts may differ from the estimates. Current tax and deferred tax on items recognized in OCI are also recognized in OCI.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be reversed. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss and OCI in the period that includes the enactment date.

The Company has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development in accordance with IAS 12 "Income taxes" amended prior to the approval date of the consolidated financial statements.

(p) Earnings per Share

Basic earnings per share (EPS) for net income attributable to Hitachi, Ltd. stockholders is calculated based on the weighted average number of ordinary shares outstanding during the period. Diluted EPS for net income attributable to Hitachi, Ltd. stockholders is calculated based on the sum of weighted average number of ordinary shares outstanding during the period and the conversion of securities with dilutive effects or the number of authorized shares.

(q) Business Combinations

Business combinations are accounted for using the acquisition method. The Company determines, on a transaction by transaction basis, whether to measure non-controlling interests at fair value or by the appropriate share in the fair value of identifiable net assets of the acquiree. Acquisition related costs are expensed in the period in which the costs are incurred.

(r) New Accounting Standards not yet Adopted by the Company

The impact of adopting the principal new accounting standards and interpretations issued or amended prior to the approval date of the consolidated financial statements that are not yet adopted by the Company as of the reporting date on the Company’s financial position and business performance will not be material.

(4) Segment Information

Business Segments

The operating segments of the Company are the components for which separate financial information is available and which is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Company discloses its business in seven reportable segments, corresponding to categories of activities classified primarily by the similarities for the nature of markets, products and services, and economic characteristics. Several operating segments are aggregated into Green Energy & Mobility and Connective Industries for financial reporting purposes so that users of the financial statements better understand the Company's financial position and business performance. The Company aggregates operating segments based on the similarities of economic characteristics mainly using the segment profit (loss) margin ratio of operating segments. The primary products and services included in each segment are as follows:

Digital Systems & Services:
Digital solutions (System integration, Consulting, Cloud services), IT products (Storage, Servers), Software, and ATMs

Green Energy & Mobility:
Energy solutions (Power grids, Renewable energy, Nuclear), and Railway systems

Connective Industries:
Building systems (Elevators, Escalators), Smart life & ecofriendly systems (Home appliances, Air conditioners), Measurement and analytical systems (Medical and Bio, Semiconductor, Industry), Industry & distribution solutions, Water & environment solutions, and Industrial machinery

Automotive Systems:
Powertrain, Chassis, Advanced driver assistance, and Motorcycle systems

Hitachi Construction Machinery:
Hydraulic excavators, Wheel loaders, Mining machinery, Maintenance and services, Construction solutions, and Mine management systems

Hitachi Metals:
Specialty steel products, Functional components and equipment, Magnetic materials and power electronics materials, and Wires, cables and related products

Others:
Optical disk drives, Property management and others

Effective from April 1, 2022, the Company changed its business structure in order to realize further evolution and growth of the Social Innovation Business and aims to realize a sustainable society. Accordingly, the Company reclassified its reportable segments in seven segments as Digital Systems & Services, Green Energy & Mobility, Connective Industries, Automotive Systems, Hitachi Construction Machinery, Hitachi Metals, and Others. Figures for the year ended March 31, 2022 have been restated on the basis of the reclassification.

In addition, from the year ended March 31, 2023, segment profit (loss), previously presented based on EBIT, is changed and presented on an Adjusted EBITA basis, as a measure of profit (loss) used by the chief operating decision maker mainly in deciding how to allocate resources and in assessing performance. Adjusted EBITA is defined as Adjusted Earnings before Interest, Taxes and Amortization. Adjusted EBITA represents profit (loss) calculated by deducting selling, general and administrative expenses from gross profit, adding back amortization of intangible assets, etc. recognized upon business combinations, and adding or deducting share of profits (losses) of investments accounted for using the equity method.

In August 2022, the Company sold a certain number of shares of Hitachi Construction Machinery Co., Ltd. (Hitachi Construction Machinery). As a result, Hitachi Construction Machinery and its subsidiaries, which were included in the Hitachi Construction Machinery segment, became equity-method associates of the Company. Accordingly, the Hitachi Construction Machinery segment ceased to be a business segment, and from the second quarter of this fiscal year, the Company includes its share of profits (losses) of investments accounted for using the equity method of Hitachi Construction Machinery and its subsidiaries after the transfer of shares in Corporate items and Eliminations.

In January 2023, the Company sold all shares of Hitachi Metals, Ltd. (currently Proterial, Ltd.). As a result, Hitachi Metals, Ltd. was deconsolidated. Accordingly, Hitachi Metals segment ceased to be a business segment from the fourth quarter of this fiscal year.

The following tables show business segment information for the years ended March 31, 2023 and 2022.

Millions of yen

	March 31, 2023			
	Segment			
	Digital Systems & Services	Green Energy & Mobility	Connective Industries	Automotive Systems
Revenues				
Revenues from External Customers	2,217,973	2,432,204	2,759,660	1,915,254
Revenues from Intersegment Transactions	171,122	60,318	215,612	4,813
Total Revenues	2,389,095	2,492,522	2,975,272	1,920,067
Segment Profit (Loss)	293,729	132,737	312,183	73,447
Total Assets	3,140,933	3,788,025	3,552,848	1,687,076
Other items				
Depreciation and Amortization	129,741	117,870	78,530	105,040
Impairment Losses	52,163	49,707	3,502	24,160
Share of Profits (Losses) of Investments Accounted for Using the Equity Method	2,597	10,120	19,855	706
Investments Accounted for Using the Equity Method	51,997	88,003	162,248	11,406
Goodwill	1,269,171	589,011	220,688	86,480
Capital Expenditures	132,754	118,254	75,451	87,916

Millions of yen

	March 31, 2023					
	Segment				Corporate items and Eliminations	Total
	Hitachi Construction Machinery	Hitachi Metals	Others	Subtotal		
Revenues						
Revenues from External Customers	474,168	825,588	238,631	10,863,478	17,672	10,881,150
Revenues from Intersegment Transactions	946	22,138	234,384	709,333	(709,333)	-
Total Revenues	475,114	847,726	473,015	11,572,811	(691,661)	10,881,150
Segment Profit (Loss)	43,226	43,054	15,553	913,929	(29,323)	884,606
Total Assets	-	-	2,121,718	14,290,600	(1,789,186)	12,501,414
Other items						
Depreciation and Amortization	25,664	27,903	32,240	516,988	9,322	526,310
Impairment Losses	93	74	195	129,894	-	129,894
Share of Profits (Losses) of Investments Accounted for Using the Equity Method	1,171	1,265	169	35,883	16,964	52,847
Investments Accounted for Using the Equity Method	-	-	4,017	317,671	160,949	478,620
Goodwill	-	-	-	2,165,350	-	2,165,350
Capital Expenditures	32,372	20,763	33,073	500,583	7,459	508,042

Millions of yen

	March 31, 2022			
	Segment			
	Digital Systems & Services	Green Energy & Mobility	Connective Industries	Automotive Systems
Revenues				
Revenues from External Customers	1,988,339	1,991,566	2,521,695	1,591,093
Revenues from Intersegment Transactions	165,286	59,457	231,203	6,625
Total Revenues	2,153,625	2,051,023	2,752,898	1,597,718
Segment Profit (Loss)	281,403	92,312	257,808	62,346
Total Assets	2,987,359	3,327,198	3,456,161	1,612,438
Other items				
Depreciation and Amortization	118,080	109,649	73,451	93,933
Impairment Losses	20,575	1,766	5,508	4,594
Share of Profits (Losses) of Investments Accounted for Using the Equity Method	2,286	6,403	18,943	526
Investments Accounted for Using the Equity Method	50,397	74,848	154,600	10,271
Goodwill	1,137,719	573,763	194,427	97,154
Capital Expenditures	122,789	108,977	78,291	100,006

Millions of yen

	March 31, 2022					
	Segment				Corporate items and Eliminations	Total
	Hitachi Construction Machinery	Hitachi Metals	Others	Subtotal		
Revenues						
Revenues from External Customers	1,022,793	915,250	223,401	10,254,137	10,465	10,264,602
Revenues from Intersegment Transactions	2,168	27,451	232,904	725,094	(725,094)	-
Total Revenues	1,024,961	942,701	456,305	10,979,231	(714,629)	10,264,602
Segment Profit (Loss)	100,163	30,705	23,623	848,360	7,020	855,380
Total Assets	1,440,674	1,072,025	2,058,239	15,954,094	(2,066,592)	13,887,502
Other items						
Depreciation and Amortization	56,549	46,531	32,857	531,050	9,202	540,252
Impairment Losses	196	1,009	1,865	35,513	(422)	35,091
Share of Profits (Losses) of Investments Accounted for Using the Equity Method	6,224	1,152	134	35,668	4,817	40,485
Investments Accounted for Using the Equity Method	26,661	11,611	3,778	332,166	79,035	411,201
Goodwill	55,367	95,276	-	2,153,706	-	2,153,706
Capital Expenditures	49,119	34,354	22,722	516,258	15,769	532,027

Segment profit (loss) is measured by Adjusted EBITA. Intersegment transactions are generally recorded at the same prices used in arm’s length transactions. Corporate items include corporate expenses not allocated to individual business segments, such as expenditures for advanced R&D, a part of net gain (loss) on share of profits (losses) of investments accounted for using the equity method, and others.

Corporate assets mainly consist of investments in securities and other financial assets.

Depreciation consists of that of property, plant and equipment and investment properties.

Impairment losses mainly consist of those recognized on property, plant and equipment, goodwill and other intangible assets.

Capital expenditures represent additions to property, plant and equipment, investment properties and other intangible assets.

Adjustments to income before income taxes from segment profit are as follows.

Millions of yen

	2023	2022
Segment Profit (Loss)	884,606	855,380
Amortization of Intangible assets, etc. recognized upon business combinations	(83,615)	(76,659)
Other income	302,196	128,354
Other expenses	(245,016)	(83,965)
Financial income	7,878	27,938
Financial expenses	(20,417)	(97)
EBIT (Earnings before interest and taxes)	845,632	850,951
Interest income	25,652	15,492
Interest charges	(51,313)	(27,110)
Income before income taxes	819,971	839,333

Geographic Information

The following table shows revenues attributed to geographic areas based on the location of the customers for the years ended March 31, 2023 and 2022.

Millions of yen

	2023	2022
Japan	4,118,244	4,187,077
Asia	2,635,114	2,514,843
North America	1,877,992	1,555,142
Europe	1,535,948	1,299,413
Other Areas	713,852	708,127
Overseas Revenues Subtotal	6,762,906	6,077,525
Total Revenues	10,881,150	10,264,602

Revenues in China for the years ended March 31, 2023 and 2022 were 1,345,223 million yen and 1,331,618 million yen, respectively. Revenues in the U.S.A. for the years ended March 31, 2023 and 2022 were 1,732,535 million yen and 1,411,681 million yen, respectively. Revenues from external customers attributable to any individual country and region other than Japan, China and the U.S.A. were not material for the years ended March 31, 2023 and 2022.

The following table shows the balances of property, plant and equipment, investment properties, goodwill and other intangible assets for each geographic area as of March 31, 2023 and 2022.

Millions of yen

	March 31, 2023	March 31, 2022
Japan	1,097,816	1,689,869
Asia	520,213	606,730
North America	1,896,359	1,895,835
Europe	1,501,367	1,468,064
Other Areas	137,077	262,535
Subtotal	5,152,832	5,923,033
Corporate items and Eliminations	(5,606)	7,756
Total	5,147,226	5,930,789

The balances of property, plant and equipment, investment properties, goodwill and other intangible assets in the U.S.A. as of March 31, 2023 and 2022 were 1,886,723 million yen and 1,880,653 million yen, respectively. The balances of property, plant and equipment, investment properties, goodwill and other intangible assets in the Swiss Confederation as of March 31, 2023 and 2022 were 1,065,498 million yen and 1,124,510 million yen, respectively. The balances of property, plant and equipment, investment properties, goodwill and other intangible assets in any individual country and region other than Japan, the U.S.A. and the Swiss Confederation were not material as of March 31, 2023 and 2022.

Significant Customer Information

There was no concentration of revenues from a specific customer for the years ended March 31, 2023 and 2022.

(5) Business Acquisitions and Divestitures

The following are the main Business Acquisitions and Divestitures for the year ended March 31, 2023, including the period up to the approval date of the consolidated financial statements.

(a)Sale of shares of Hitachi Astemo, Ltd. (hereinafter "Hitachi Astemo")

On March 30, 2023, the Company entered into the following two agreements regarding the transfer of a part of the shares of Hitachi Astemo, a consolidated subsidiary of the Company in the Automotive Systems segment, to Hitachi Astemo and Honda Motor Co., Ltd. (hereinafter "Honda") and for inviting JIC Capital, Ltd. (hereinafter "JICC") as a new joint partner.

(i) Share Subscription Agreement with JICC-01 Limited Partnership (hereinafter "JICC-01") managed by JICC-01 G.K., which is a wholly owned subsidiary of JICC including that Hitachi Astemo issues Class shares to JICC-01, and Hitachi Astemo purchases a part of shares of its common stocks held by the Company, using a portion of the funds raised through the issuance of Class shares

(ii) Agreement for investment in kind and share transfer with Honda including that Hitachi Astemo issues common stocks to Honda in exchange for Honda to invest the shares of Hitachi Astemo Electric Motor Systems, Ltd. in kind and the Company transfers a part of shares of Hitachi Astemo's common stocks to Honda

The consideration is expected to be approximately 158.0 billion yen.

Assuming the series of transactions based on the agreements is settled, it is expected that the Company's ownership ratio of shares of Hitachi Astemo will decrease from 66.6% to 40%, and Hitachi Astemo will turn into an equity-method associate of the Company.

An expected gain on the sale of Hitachi Astemo shares in the amount of approximately 107.0 billion yen will be recognized in Other income in the consolidated statement of profit or loss for the year ending March 31, 2024. Furthermore, non-controlling interests in Hitachi Astemo will decrease approximately 258.0 billion yen in the consolidated statement of changes in equity for the year ending March 31, 2024.

(b) Sale of all shares of Hitachi Transport System, Ltd. (hereinafter "Hitachi Transport System")

On April 28, 2022, the Company entered into an agreement regarding the following three points, etc. for the common stocks of Hitachi Transport System (hereinafter "Hitachi Transport System Shares"), an equity-method associate of the Company in Corporate items of segment information, with HTSK Co., Ltd. (hereinafter "Offeror"), a wholly owned subsidiary of HTSK Holdings Co., Ltd. (hereinafter "Offeror Parent"), all equity interests which are currently owned by HTSK Investment L.P., which is indirectly held and operated by Kohlberg Kravis Roberts & Co. L.P.

(i) Offeror will launch a tender offer (hereinafter "Tender Offer") for Hitachi Transport System Shares and the Company will not tender any of its shares of Hitachi Transport System (hereinafter "Shares to Be Sold by the Company") in Tender Offer.

(ii) The Company will sell Shares to Be Sold by the Company in accordance with the share repurchase to be conducted by Hitachi Transport System.

(iii) The Company obtains 10.0 billion yen worth of Offeror Parent's shares with voting rights (equivalent to 10% of the total voting rights).

Offeror commenced Tender Offer on October 28, 2022, and Tender Offer was completed on November 29, 2022.

On March 1, 2023, the Company sold Shares to Be Sold by the Company in accordance with the share repurchase to be conducted by Hitachi Transport System. The Company's consideration was 221,983 million yen.

As a result of the transaction, Hitachi Transport System ceased to be an equity-method associate. A gain on the sale of Hitachi Transport System Shares in the amount of 140,293 million yen was recognized in Other income in the consolidated statement of profit or loss for the year ended March 31, 2023.

On April 1, 2023, Hitachi Transport System changed its name to LOGISTEED, Ltd.

(c) Sale of all shares of Hitachi Metals, Ltd. (hereinafter "Hitachi Metals")

On April 28, 2021, the Company entered into an agreement regarding the following four points for the common stocks of Hitachi Metals (hereinafter "Hitachi Metals Shares"), a consolidated subsidiary of the Company in the Hitachi Metals segment, with K. K. BCJ-52 (hereinafter "Tender Offeror"), a wholly owned company of G.K. BCJ-51, the outstanding shares of which are indirectly owned by investment funds which Bain Capital Private Equity, LP and its group provide with investment advice.

(i) Tender Offeror will launch a tender offer (hereinafter "Tender Offer") for Hitachi Metals Shares, when conditions for the commencement of Tender Offer are satisfied, and the Company will not apply for Tender Offer with regard to all of the Hitachi Metals Shares held by the Company (hereinafter "Shares to Be Sold by the Company").

(ii) In the event Tender Offer is enacted and Tender Offeror is unable to acquire all of the Hitachi Metals Shares (excluding treasury stock held by Hitachi Metals and Shares to Be Sold by the Company) in Tender Offer, Tender Offeror and the Company will request convening of a general meeting of shareholders on the matter of items required for implementation of share consolidation (hereinafter “Share Consolidation”) on Hitachi Metals and exercise approval right for the proposal.

(iii) As promptly as practically possible after Tender Offeror and the Company become holders of all shares of Hitachi Metals (excluding treasury stock held by Hitachi Metals) as a result of Share Consolidation, capital reduction and other measures (hereinafter “Capital Reduction”) will be performed for Hitachi Metals in order to secure distributable amount required for acquisition of treasury stock by Hitachi Metals (hereinafter “Share Repurchase”).

(iv) Immediately after Capital Reduction takes effect, Shares to Be Sold by the Company will be transferred to Hitachi Metals as a result of Share Repurchase.

Tender Offeror commenced Tender Offer on September 27, 2022, and Tender Offer was completed on October 25, 2022.

Following the completion of Tender Offer, the above related transactions, such as Share Consolidation of Hitachi Metals shares, took place and Shares to Be Sold by the Company were transferred on January 5, 2023. The Company's consideration was 382,042 million yen.

As a result of the transaction was settled, the Company's ownership ratio of Hitachi Metals Shares decreased from 53.4% to 0%, and Hitachi Metals was deconsolidated. A gain on the sale of Hitachi Metals Shares in the amount of 95,324 million yen was recognized in Other income in the consolidated statement of profit or loss for the year ended March 31, 2023.

Furthermore, changes in non-controlling interests in the consolidated statement of changes in equity include derecognition of non-controlling interest in Hitachi Metals as a result of its deconsolidation.

On January 4, 2023, Hitachi Metals changed its name to Proterial, Ltd.

The following table shows the assets, liabilities, and equity of Hitachi Metals as of March 31, 2022.

	Millions of yen
Cash and cash equivalents	100,936
Trade receivables and contract assets	187,264
Inventories	227,615
Investments in securities and other financial assets	44,821
Other current assets	9,028
Total current assets	569,664
Investments accounted for using the equity method	11,612
Investments in securities and other financial assets	9,885
Property, plant and equipment	334,603
Goodwill	95,276
Other intangible assets	23,610
Other non-current assets	27,375
Total non-current assets	502,361
Total assets	1,072,025
Short-term debt	100,316
Current portion of long-term debt	21,907
Other financial liabilities	26,121
Trade payables	200,659
Accrued expenses	41,161
Contract liabilities	787
Other current liabilities	3,849
Total current liabilities	394,800
Long-term debt	74,686
Retirement and severance benefits	63,775
Other non-current liabilities	3,045
Total non-current liabilities	141,506
Total liabilities	536,306
Total Hitachi, Ltd. stockholders' equity	284,484
Non-controlling interests	251,235
Total equity	535,719
Total liabilities and equity	1,072,025

(d) Additional acquisition of shares of Hitachi Energy Ltd (hereinafter "Hitachi Energy")

On September 30, 2022, the Company signed an agreement with ABB Ltd (hereinafter "ABB") to acquire the remaining 19.9% of the shares of Hitachi Energy, a consolidated subsidiary of the Company in the Green Energy & Mobility segment, owned by ABB by exercising a call option, owned by the Company.

As a result of the additional acquisition of shares on December 28, 2022, the Company's ownership ratio of shares of Hitachi Energy increased from 80.1% to 100% and Hitachi Energy has become a wholly owned subsidiary of the Company. The consideration was 1,679 million U.S. dollars (243,200 million yen).

The Company derecognized the non-controlling interests and recognized the difference between the consideration and non-controlling interests in capital surplus.

(e) Sale of shares of Hitachi Construction Machinery Co., Ltd. (hereinafter "Hitachi Construction Machinery")

On January 14, 2022, the Company entered into an agreement regarding the transfer of a part of the shares of Hitachi Construction Machinery, a consolidated subsidiary of the Company in the Hitachi Construction Machinery segment, with HCJI Holdings G.K., a special purpose company which is jointly invested by HCJ Holdings Ltd., a special purpose company wholly owned by a fund that Japan Industrial Partners, Inc. manages, operates, and provides information, and Citrus Investment LLC, a special purpose company wholly owned by ITOCHU Corporation. In accordance with this agreement, a certain number of shares of Hitachi Construction Machinery common stocks owned by the Company were transferred to HCJI Holdings G.K., on August 23, 2022.

As a result of this transfer of shares, the Company's ownership ratio of shares of Hitachi Construction Machinery decreased from 51.4% to 25.4%, and Hitachi Construction Machinery turned into an equity-method associate of the Company. The Company's consideration was 182,457 million yen.

A gain on the sale of Hitachi Construction Machinery shares in the amount of 39,211 million yen was recognized in Other income in the consolidated statement of profit or loss for the year ended March 31, 2023.

Furthermore, changes in non-controlling interests in the consolidated statement of changes in equity include derecognition of non-controlling interest in Hitachi Construction Machinery as a result of its deconsolidation.

The following table shows the assets, liabilities, and equity of Hitachi Construction Machinery as of March 31, 2022.

	Millions of yen
Cash and cash equivalents	87,583
Trade receivables and contract assets	237,792
Inventories	368,267
Investments in securities and other financial assets	62,193
Other current assets	8,421
Total current assets	764,256
Investments accounted for using the equity method	26,662
Investments in securities and other financial assets	63,197
Property, plant and equipment	442,904
Goodwill	55,367
Other intangible assets	58,967
Other non-current assets	29,321
Total non-current assets	676,418
Total assets	1,440,674
Short-term debt	103,320
Current portion of long-term debt	81,731
Other financial liabilities	51,239
Trade payables	144,531
Accrued expenses	37,965
Contract liabilities	9,967
Other current liabilities	24,893
Total current liabilities	453,646
Long-term debt	229,487
Retirement and severance benefits	17,622
Other non-current liabilities	50,607
Total non-current liabilities	297,716
Total liabilities	751,362
Total Hitachi, Ltd. stockholders' equity	318,069
Non-controlling interests	371,243
Total equity	689,312
Total liabilities and equity	1,440,674

The following are the main Business Acquisitions and Divestitures for the year ended March 31, 2022.

(a) Acquisition of GlobalLogic Inc. (hereinafter "GlobalLogic")

On March 31, 2021, the Company decided to acquire GlobalLogic, a leading U.S.-headquartered digital engineering service company, in order to strengthen the digital portfolio of "Lumada" and the definitive agreement was signed among Hitachi Global Digital Holdings LLC (hereinafter "HGDH") which is a subsidiary located in the U.S., MergeCo H Global Inc. (hereinafter "SPC") which was established by HGDH for the acquisition and GlobalLogic Worldwide Holdings, Inc. (hereinafter "GlobalLogic Worldwide Holdings") which is the parent company of GlobalLogic.

On July 13, 2021, HGDH acquired 100% of the outstanding shares of GlobalLogic Worldwide Holdings and GlobalLogic Worldwide Holdings and GlobalLogic have become wholly owned subsidiaries of the Company, as a result of the transaction, including the merger of SPC with and into GlobalLogic Worldwide Holdings, which is the surviving company.

The following table summarizes the fair value of the consideration paid for GlobalLogic and the amounts of the assets acquired, liabilities assumed and goodwill recognized as of the acquisition date.

	Millions of yen
Cash and cash equivalents	11,391
Trade receivables and contract assets	30,266
Other current assets	2,692
Non-current assets (excluding intangible assets)	4,324
Intangible assets	
Goodwill (not deductible for tax purposes)	822,173
Other intangible assets	231,130
Total	1,101,976
Current liabilities	134,272
Non-current liabilities	45,454
Total	179,726
Cash paid for the acquisition	922,250

The goodwill mainly comprises excess earning power and expected synergies arising from the acquisition.

Other intangible assets include the intangible asset representing customer relationships in the amount of 227,424 million yen. The intangible asset representing customer relationships is measured based on assumptions such as revenue growth rates, EBITDA ratios, revenue growth rate for existing customers, attrition rate of existing customers, and discount rate.

Acquisition related costs included in Other expenses in the consolidated statement of profit or loss for the year ended March 31, 2022 were 3,874 million yen.

In addition to this acquisition, Hitachi America Capital, Ltd. which is a subsidiary located in the U.S., repaid 1,074 million U.S. dollars (118,554 million yen) of certain loans owed by GlobalLogic.

The operating results of GlobalLogic for the period from the acquisition date to March 31, 2022 were not material.

On a pro forma basis, revenues and net income using an assumed acquisition date for GlobalLogic of April 1, 2021 would not differ materially from the amounts reported in the consolidated financial statements for the year ended March 31, 2022.

On April 1, 2022, HGDH changed its name to Hitachi Digital LLC.

(b) Reorganization of the Global Home Appliances Business (excluding Japan)

On December 16, 2020, Hitachi Global Life Solutions, Inc. (hereinafter "Hitachi GLS"), a consolidated subsidiary of the Company in the Connective Industries segment, and Arçelik A.S. (hereinafter "Arçelik") signed a share purchase agreement to establish a new joint venture company.

Based on the agreement, Hitachi GLS established a new company and transferred its global home appliances business outside of Japan into the new company on July 1, 2021, and Hitachi GLS transferred 60% of the shares of common stock of the new company to Arçelik. The consideration is 350 million U.S. dollars (38,797 million yen). As a result, Hitachi GLS's ownership ratio of shares of the new company decreased from 100% to 40%, and the new company turned into an equity-method associate of the Company.

The following is a material Business Acquisition other than the above.

(a) Acquisition of Thales' ground transportation systems business

On August 3, 2021, Hitachi Rail Ltd.(hereinafter "Hitachi Rail"), a consolidated subsidiary of the Company in the Green Energy & Mobility segment, signed an agreement with Thales S.A.(hereinafter "Thales") to acquire the ground transportation systems business in order to expand the rail signalling systems business globally. Based on the agreement, Hitachi Rail will acquire Thales' ground transportation systems business which will be carved out from Thales. The transaction is subject to the usual conditions including regulatory and antitrust clearances and is expected to be completed by the second half of 2023. Hitachi Rail agreed on an enterprise value of 1,660 million euro (approximately 241.8 billion yen) and the final purchase price will be determined after certain adjustments. The effects of this transaction on the Company's consolidated financial statements are currently being evaluated.

(6) Trade Receivables and Contract Assets

The components of trade receivables and contract assets are as follows:

Millions of yen

	March 31, 2023	March 31, 2022
Accounts receivable	1,972,168	2,210,590
Contract assets	804,500	623,766
Others	98,319	143,793
Total	2,874,987	2,978,149

Trade receivables and contract assets are stated as net of the allowance for doubtful receivables.

Others include notes receivable and electronically recorded monetary claims.

(7) Inventories

The components of inventories are as follows:

Millions of yen

	March 31, 2023	March 31, 2022
Finished goods	469,770	713,421
Semi-finished goods and work in process	592,860	772,881
Raw materials	583,558	556,130
Total	1,646,188	2,042,432

For the years ended March 31, 2023 and 2022, the amounts of inventories expensed and included as cost of sales were 6,560,038 million yen and 6,398,165 million yen, respectively, and the write-downs of inventories were 60,278 million yen and 54,615 million yen, respectively.

(8) Investments Accounted for Using the Equity Method

The aggregated carrying amounts of investments accounted for using the equity method as of March 31, 2023 and 2022, and the Company and certain subsidiaries' share of total comprehensive income of equity-method associates and joint ventures for the years ended March 31, 2023 and 2022 are as follows:

Millions of yen

	Associates		Joint ventures	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Carrying amount of investments	396,626	342,190	81,994	69,011

As of March 31, 2023 and 2022, the Company and certain subsidiaries' interests in certain joint ventures operating at a loss have the cumulative loss exceeding the Company and certain subsidiaries' investments, and thus the negative amounts of 1,126 million yen and 17,067 million yen, respectively, were recognized in Other non-current liabilities.

Millions of yen

	Associates		Joint ventures	
	2023	2022	2023	2022
Net income	40,911	34,576	11,936	5,909
Other comprehensive income	(5,857)	9,887	21,963	30,917
Total comprehensive income	35,054	44,463	33,899	36,826

(9) Property, Plant and Equipment

The following table shows the changes in the net carrying amounts of property, plant and equipment.

Millions of yen

	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use assets	Other	Construction in progress	Total
Net carrying amount								
March 31, 2021	278,114	718,181	664,173	187,459	303,327	121,552	136,081	2,408,887
Additions	2,184	8,471	34,213	18,924	98,788	1,879	224,288	388,747
Transfers between accounts	(1,024)	48,107	91,498	40,279	(1,849)	6,439	(183,450)	-
Sales and disposals	(20,441)	(15,460)	(5,441)	(2,814)	(11,634)	(16,676)	(1,907)	(74,373)
Depreciation	-	(55,337)	(137,659)	(67,363)	(98,514)	(21,722)	-	(380,595)
Impairment losses	(3,858)	(2,313)	(5,231)	(1,595)	(3,254)	(46)	(1,093)	(17,390)
Acquisitions and divestitures	(1,497)	(2,597)	(688)	(3,971)	(709)	3,837	(366)	(5,991)
Currency translation effect	3,720	26,462	37,617	5,805	15,324	3,806	10,929	103,663
Other	(806)	(2,447)	852	7,097	10,941	49,405	(9,089)	55,953
March 31, 2022	256,392	723,067	679,334	183,821	312,420	148,474	175,393	2,478,901
Additions	376	7,000	29,963	19,573	98,585	3,270	190,979	349,746
Transfers between accounts	178	42,212	116,644	37,064	(4,163)	7,319	(199,254)	-
Sales and disposals	(4,536)	(9,584)	(4,366)	(2,641)	(7,020)	(11,355)	(3,305)	(42,807)
Depreciation	-	(50,060)	(135,592)	(66,387)	(91,971)	(12,794)	-	(356,804)
Impairment losses	(788)	(7,643)	(9,618)	(1,339)	(371)	(50)	(1,846)	(21,655)
Acquisitions and divestitures	(113,663)	(202,652)	(209,118)	(25,091)	(73,035)	(142,155)	(33,616)	(799,330)
Currency translation effect	2,868	15,559	25,234	3,838	6,992	(428)	4,028	58,091
Other	466	4,891	914	9,230	1,495	20,051	(2,718)	34,329
March 31, 2023	141,293	522,790	493,395	158,068	242,932	12,332	129,661	1,700,471

The amount of depreciation recognized is included in Cost of sales and Selling, general and administrative expenses in the consolidated statement of profit or loss. Impairment losses are included in Other expenses in the consolidated statement of profit or loss.

The following table shows the gross carrying amounts and accumulated depreciation and impairment losses of property, plant and equipment.

Millions of yen

	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use assets	Other	Construction in progress	Total
Gross carrying amount								
March 31, 2021	359,702	1,822,715	2,861,627	996,172	615,323	207,058	305,835	7,168,432
March 31, 2022	329,445	1,852,873	3,024,650	1,001,685	657,010	246,691	353,891	7,466,245
March 31, 2023	210,288	1,302,106	2,186,968	865,630	526,665	26,543	313,586	5,431,786
Accumulated depreciation and impairment losses								
March 31, 2021	(81,588)	(1,104,534)	(2,197,454)	(808,713)	(311,996)	(85,506)	(169,754)	(4,759,545)
March 31, 2022	(73,053)	(1,129,806)	(2,345,316)	(817,864)	(344,590)	(98,217)	(178,498)	(4,987,344)
March 31, 2023	(68,995)	(779,316)	(1,693,573)	(707,562)	(283,733)	(14,211)	(183,925)	(3,731,315)

Impairment Losses Recognized for the Year Ended March 31, 2023:
The Green Energy & Mobility segment recognized impairment losses of 11,292 million yen, mainly attributable to the lower than expected future revenue at the factory of rolling stocks in the U.K., recognizing impairment losses of 5,834 million yen on Buildings and structures, 4,548 million yen on Machinery and vehicles and 190 million yen on Land, respectively.

Impairment Losses Recognized for the Year Ended March 31, 2022:
The IT segment (currently the Digital Systems & Services segment) recognized impairment losses of 4,071 million yen, mainly attributable to determination of disposal of land and other assets relating to the consolidation of bases at a domestic subsidiary in the Services & Platforms business.

The Industry segment (currently the Connective Industries segment) recognized impairment losses of 4,406 million yen, mainly attributable to right-of-use assets relating to withdrawal from some businesses in the Industry & Distribution Solutions business.

The Automotive Systems segment recognized impairment losses of 4,362 million yen, mainly attributable to the lower than expected future revenue on business assets of machineries at some of factories of foreign subsidiaries.

(10) Goodwill and Other Intangible Assets

The following table shows the changes in the net carrying amounts of Goodwill and Other intangible assets.

Millions of yen

	Goodwill	Other intangible assets					
		Software for internal use	Software for sale	Customer relationships	Technology	Other	Total
Net carrying amount							
March 31, 2021	1,161,210	134,770	44,819	459,211	119,567	206,463	964,830
Internal developments	-	20,346	6,102	-	-	78,657	105,105
Purchases	-	4,634	126	-	-	33,415	38,175
Transfers between accounts	-	44,100	24,600	-	-	(68,700)	-
Amortization	-	(46,431)	(22,469)	(37,244)	(14,384)	(36,802)	(157,330)
Impairment losses	(6,117)	(1,744)	(5,750)	-	-	(3,940)	(11,434)
Disposals	-	(3,348)	(53)	-	-	(780)	(4,181)
Acquisitions and divestitures	824,914	190	116	227,424	739	1,783	230,252
Currency translation effect	173,699	3,481	1,761	62,262	11,250	14,057	92,811
Other	-	(1,190)	306	-	-	(216)	(1,100)
March 31, 2022	2,153,706	154,808	49,558	711,653	117,172	223,937	1,257,128
Internal developments	-	24,833	10,515	-	-	88,573	123,921
Purchases	-	4,167	86	-	-	30,112	34,365
Transfers between accounts	-	56,620	15,141	-	-	(71,761)	-
Amortization	-	(51,787)	(21,052)	(45,687)	(15,703)	(33,669)	(167,898)
Impairment losses	(84,126)	(10,886)	(6,164)	-	-	(6,694)	(23,744)
Disposals	-	(1,696)	(30)	-	-	(1,865)	(3,591)
Acquisitions and divestitures	(87,966)	(20,229)	(322)	(15,534)	(6,426)	(14,927)	(57,438)
Currency translation effect	183,736	2,522	1,707	53,253	10,105	12,139	79,726
Other	-	492	11	-	-	1,716	2,219
March 31, 2023	2,165,350	158,844	49,450	703,685	105,148	227,561	1,244,688

The amount of amortization recognized is included in Cost of sales and Selling, general and administrative expenses in the consolidated statement of profit or loss. Impairment losses are included in Other expenses in the consolidated statement of profit or loss.

The following table shows the gross carrying amount and accumulated amortization and impairment losses of goodwill and other intangible assets.

Millions of yen

	Goodwill	Other intangible assets					
		Software for internal use	Software for sale	Customer relationships	Technology	Other	Total
Gross carrying amount							
March 31, 2021	1,218,173	650,657	569,118	526,285	140,995	551,304	2,438,359
March 31, 2022	2,210,512	696,925	602,142	801,610	149,743	636,471	2,886,891
March 31, 2023	2,229,739	699,414	621,620	815,503	145,470	524,418	2,806,425
Accumulated amortization and impairment losses							
March 31, 2021	(56,963)	(515,887)	(524,299)	(67,074)	(21,428)	(344,841)	(1,473,529)
March 31, 2022	(56,806)	(542,117)	(552,584)	(89,957)	(32,571)	(412,534)	(1,629,763)
March 31, 2023	(64,389)	(540,570)	(572,170)	(111,818)	(40,322)	(296,857)	(1,561,737)

The Company writes off goodwill from gross carrying amount and impairment losses if it has been fully impaired.

Impairment Losses Recognized for the Year Ended March 31, 2023:
The Digital Systems & Services segment recognized impairment losses of 52,036 million yen, mainly consisting of the effect of repositioning the ERP on-premise business as a non-focal area, recognizing impairment losses of 31,917 million yen on goodwill, and the lower than expected future revenue recognizing impairment losses of 9,599 million yen on software for internal use, and 6,164 million yen on software for sale as a result of changes in market trends, respectively.

The Green Energy & Mobility segment recognized impairment losses of 38,411 million yen, mainly consisting of 38,394 million yen in impairment losses on goodwill in the power grids business in the second quarter of fiscal year 2022 due to the rise in discount rate following the significant rise in interest rates, etc. The recoverable amount was determined on the basis of value in use, which was measured at 10,600 million U.S. dollars (1,534,986 million yen) as of September 30, 2022, the date on which impairment losses were recognized. The calculation of the value in use, estimated future cash flows was discounted at the discount rate (before tax) of 13.2% derived from the weighted average cost of capital. Estimated future cash flows was based on business plan for five years and beyond the period covered by the business plan were calculated taking into account growth rate of 2.8%. The significant assumptions were revenue growth rates and gross profit ratios which reflected past experience and external information. The growth rate was set taking into account long-term inflation rate announced by an external research organization and the impact of interest rates incorporated in the discount rate at the time of the annual impairment test of the goodwill.

Impairment Losses Recognized for the Year Ended March 31, 2022:
The IT segment (currently the Digital Systems & Services segment) recognized impairment losses of 16,503 million yen, mainly due to the lower than expected future revenue on goodwill and software for sale as a result of changes in market trends.

The carrying amounts of other intangible assets with indefinite useful lives as of March 31, 2022 amounted to 23,530 million yen. The main components of such assets are acquired brands. They are assessed to have indefinite useful lives because there is no foreseeable limit to the period over which such assets are expected to generate net cash inflows for the entity.

Expenditures on research activities aimed at obtaining new scientific or technical knowledge or understanding are expensed when incurred. Expenditures on development activities for a new or major improvement of production plan or design prior to the beginning of commercial production or use are capitalized as an internally generated intangible asset only when such expenditures attributable to the intangible asset can be reliably measured, it is feasible for the Company to complete the development, and it is highly probable that the Company will obtain the future economic benefit. Otherwise, the expenditures are recognized as an expense when incurred.

The carrying amounts of internally generated other intangible assets (at cost less accumulated amortization and impairment losses) as of March 31, 2023 and 2022 amounted to 286,839 million yen and 260,189 million yen, respectively. These assets are mainly included in software for internal use or software for sale.

Research and development expenditures recognized as an expense for the years ended March 31, 2023 and 2022 were 316,280 million yen and 317,383 million yen, respectively, and they are included in Cost of sales and Selling, general and administrative expenses in the consolidated statement of profit or loss.

The Company tests goodwill acquired through business combinations for impairment by comparing the carrying amount and the recoverable amount per CGU (or group of CGUs).

The following are the group of CGUs with a significant proportion of goodwill allocated for the year ended March 31, 2023.
As of March 31, 2023, the group of CGUs with a significant proportion of goodwill allocated was the power grids business in the Green Energy & Mobility segment, and the carrying amount of goodwill allocated to the power grids business was 524,951 million yen. Impairment losses on the goodwill of Hitachi Energy were recognized in the second quarter of fiscal year 2022. Details of the impairment losses are described in Impairment Losses Recognized for the Year Ended March 31 2023 above. Furthermore, the Company performed the annual impairment test of the goodwill of the power grids business in the fourth quarter of fiscal year 2022. The recoverable amount used in the annual impairment test of goodwill of the power grids business was calculated based on the value in use and in calculation of the value in use, estimated future cash flows was discounted at the discount rate (before tax) of 13.2% derived from the weighted average cost of capital. Estimated future cash flows was based on business plan for five years and beyond the period covered by the business plan were calculated taking into account growth rate of 2.9%. The key assumptions were revenue growth rates and gross profit ratios which reflected past experience and external information. The growth rate was set taking into account long-term inflation rate announced by an external research organization and the impact of interest rates incorporated in the discount rate at the time of the annual impairment test of the goodwill. Additional impairment losses were not recognized as the result of the annual impairment test.

As of March 31, 2023, the group of CGUs with a significant proportion of goodwill allocated was the Services & Platforms business unit in the Digital Systems & Services segment, and the carrying amount of goodwill allocated to the Services & Platforms business unit was 1,238,239 million yen. The recoverable amount used in the impairment test of goodwill of the Services & Platforms business unit was calculated based on the value in use and in calculation of the value in use, estimated future cash flows was discounted at the discount rate (before tax) of 11.1% derived from the weighted average cost of capital. Estimated future cash flows was based on business plan for eight years and beyond the period covered by the business plan were calculated taking into account growth rate of 2.9%. The key assumptions were revenue growth rates and EBIT ratios which reflected past experience and external information. The Company considered that it is appropriate to reflect the medium- to long-term growth rate, which is specific to main business of the Services & Platforms business unit, to business plan and set the period of the business plan for eight years.

The following are the group of CGUs with a significant proportion of goodwill allocated for the year ended March 31, 2022.
As of March 31, 2022, the group of CGUs with a significant proportion of goodwill allocated was the power grids business in the Energy segment (currently the Green Energy & Mobility segment), and the carrying amount of goodwill allocated to the power grids business was 513,616 million yen. The recoverable amount used in the impairment test of goodwill of the power grids business for the year ended March 31, 2022 was calculated based on the value in use and in calculation of the value in use, estimated future cash flows was discounted at the discount rate (before tax) of 10.6% derived from the weighted average cost of capital. Estimated future cash flows was based on business plan for five years and beyond the period covered by the business plan were calculated taking into account growth rate of 2.3%. The key assumptions were revenue growth rates and gross profit ratios which reflected past experience and external information.

As of March 31, 2022, the group of CGUs with a significant proportion of goodwill allocated was the Services & Platforms business unit in the IT segment (currently the Digital Systems & Services segment), and the carrying amounts of goodwill allocated to the Services & Platforms business unit was 1,107,575 million yen. The recoverable amount used for the impairment test of goodwill of the Services & Platforms business unit for the year ended March 31, 2022 was calculated based on the fair value less costs of disposal. The fair value less costs of disposal was calculated by the market approach based on EV/EBITDA valuation multiples of similar companies that were comparable to the Services & Platforms business unit. The fair value hierarchy classification was level 3 measured by unobservable inputs.

The Company considers it unlikely for the carrying amount of each CGU (or group of CGUs), together with allocated goodwill, would exceed the respective recoverable amounts of the CGU (or group of CGUs) even if the key assumptions used for the impairment test changed within a reasonable range.

(11) Leases

(a) Lessee

The Company and certain subsidiaries use leased facilities and equipment, including buildings, machinery and equipment and vehicles.

The following table shows the carrying amount of right-of-use assets at the end of March 31, 2023 and 2022 by class of underlying asset.

Millions of yen

	Class of underlying asset					Total
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Other	
March 31, 2022	224,393	32,019	16,094	39,492	1,081	313,079
March 31, 2023	179,878	22,200	16,813	22,468	2,001	243,360

The following table shows the expenses relating to leases and cash outflow for the years ended March 31, 2023 and 2022.

Millions of yen

	2023	2022
Depreciation for right-of-use assets		
Buildings and structures	74,229	76,495
Machinery and vehicles	9,449	12,194
Tools, furniture and fixtures	6,928	7,382
Land	1,328	2,389
Other	284	220
Total	92,218	98,680
Interest charges on lease liabilities	5,151	5,606
Expense relating to short-term leases, etc.	26,192	26,416
Expenses relating to leases	123,561	130,702

Millions of yen

	2023	2022
Total cash outflow for leases	128,590	141,292

Additions of right-of-use assets for the years ended March 31, 2023 and 2022 are disclosed in note 9.
Maturity analysis of lease liabilities at the end of March 31, 2023 and 2022 are disclosed in note 25.

(b) Lessor

The Company and certain subsidiaries lease certain assets such as buildings, machines, and equipment under finance and operating lease arrangements.

The following table shows lease income for the years ended March 31, 2023 and 2022.

Millions of yen

	2023	2022
Lease income from finance leases	718	1,021
Lease income from operating leases	32,460	55,777
Total lease income	33,178	56,798

A significant component of lease income from finance leases represents finance income on the net investment in the lease.

(i) Finance leases

The following table shows the maturity analysis of the finance lease payments receivable as of March 31, 2023 and 2022.

Millions of yen

	March 31, 2023	March 31, 2022
Undiscounted lease payments to be received		
Within 1 year	10,055	43,007
After 1 year but not more than 5 years	10,090	32,237
More than 5 years	6,225	3,871
Total	26,370	79,115
Unearned finance income relating to the lease payments receivable	(3,087)	(5,231)
Net investment in finance leases	23,283	73,884

(ii) Operating leases

The following table shows the maturity analysis of the undiscounted operating lease payments to be received as of March 31, 2023 and 2022.

Millions of yen

	March 31, 2023	March 31, 2022
Within 1 year	198	2,554
After 1 year but not more than 5 years	24	3,040
More than 5 years	-	178
Total	222	5,772

(12) Deferred Taxes and Income Taxes

The components of income taxes recognized in the consolidated statement of profit or loss and deferred taxes recognized in the consolidated statement of comprehensive income are as follows:

Millions of yen

	2023	2022
Income taxes		
Current tax expense	280,420	158,988
Deferred tax expense		
Temporary differences originated and reversed	(76,126)	89,603
Changes in realizability of deferred tax assets	(88,193)	(80,122)
Total	116,101	168,469
Deferred taxes recognized in OCI		
Net changes in financial assets measured at fair value through OCI	13,528	(5,834)
Remeasurements of defined benefit plans	(23,224)	9,466
Net changes in cash flow hedges	3,899	5,254
Foreign currency translation adjustments	(2,782)	3,702
Total	(8,579)	12,588

The Company and its Japanese subsidiaries were subject to a national corporate tax, an inhabitant tax and business tax, for the years ended March 31, 2023 and 2022, which in the aggregate resulted in a combined statutory income tax rate of approximately 30.5%.

The Company and a part of Japanese subsidiaries has applied a group tax sharing system from the year ended March 31, 2023. A part of foreign subsidiaries file consolidated income tax returns in certain jurisdictions.

Changes in realizability of deferred tax assets for the year ended March 31, 2022 includes the decrease of 37,136 million yen due to recognition of deferred tax assets mainly for the unused tax loss carryforwards related to the acquisition of GlobalLogic. And, as a result of the reevaluation of a realizability of deferred tax assets in line with an improvement of long-term forecast related to future taxable income of the Company and its Japanese subsidiaries which apply the group tax sharing system, for the year ended March 31, 2023, the Company and its Japanese subsidiaries recognized deferred tax assets on a part of deductible temporary differences which had previously been unrecognized.

Reconciliations between the combined statutory income tax rate and the effective income tax rate are as follows:

	2023	2022
Combined statutory income tax rate	30.5%	30.5%
Share of (profits) losses of investments accounted for using the equity method	(2.0)	(1.5)
Change in excess amounts over the tax basis of investments in subsidiaries and investments accounted for using the equity method	0.9	2.6
Gain or loss on sale of investments in subsidiaries and investments accounted for using the equity method	(9.4)	(0.6)
Expenses not deductible for tax purposes	1.2	0.7
Impairment of goodwill	3.1	0.2
Change in realizability of deferred tax assets	(9.1)	(9.5)
Difference in statutory tax rates of foreign subsidiaries	(3.1)	(3.1)
Other, net	2.1	0.8
Effective income tax rate	14.2%	20.1%

Changes in deferred tax assets and liabilities are as follows:

Millions of yen

	March 31, 2023	March 31, 2022
Deferred tax assets, net at beginning of year	(44,897)	10,879
Recognized in profit or loss	164,319	(9,481)
Recognized in OCI	8,579	(12,588)
Acquisitions, divestitures and others	(11,614)	(33,707)
Deferred tax assets, net at end of year	116,387	(44,897)

Significant components of the deferred tax assets and liabilities are as follows:

Millions of yen

	Consolidated statement of financial position		Consolidated statement of profit or loss	
	March 31, 2023	March 31, 2022	2023	2022
Deferred tax assets				
Retirement and severance benefits	65,082	19,537	45,642	(15,959)
Accrued expenses	180,488	142,349	43,833	10,192
Depreciation of property, plant and equipment	12,253	5,868	2,290	(4,546)
Net operating loss carryforwards	62,981	74,316	(4,478)	24,694
Net intercompany profits on inventories, P.P.E. and others	23,955	25,340	3,221	602
Deferred revenues	22,917	17,745	4,379	1,449
Other	57,964	61,928	20,669	16,424
Total deferred tax assets	425,640	347,083	115,556	32,856
Deferred tax liabilities				
Accelerated depreciation of P.P.E.	(1,489)	(6,480)	90	190
Investments in securities	(102,897)	(152,766)	33,423	(42,609)
Intangible assets	(196,534)	(213,715)	19,114	14,046
Other	(8,333)	(19,019)	(3,864)	(13,964)
Total deferred tax liabilities	(309,253)	(391,980)	48,763	(42,337)
Net deferred tax assets	116,387	(44,897)	164,319	(9,481)

Net deferred tax assets are included in the following accounts in the consolidated statement of financial position.

Millions of yen

	March 31, 2023	March 31, 2022
Other non-current assets	271,567	128,347
Other non-current liabilities	(155,180)	(173,244)
Total	116,387	(44,897)

Deferred tax liabilities are not recognized for excess amounts over the tax basis of investments in subsidiaries and investments accounted for using the equity method that are considered to be reinvested indefinitely, for such differences will unlikely reverse in the foreseeable future. The temporary differences related to undistributed earnings of subsidiaries for which deferred tax liabilities are not recognized were 849,240 million yen and 853,870 million yen, respectively, as of March 31, 2023 and 2022.

In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in specific tax jurisdictions during the periods in which these deductible differences become deductible. Although realization is not assured, the Company carries out an assessment of the scheduled reversals of deferred tax liabilities and projected future taxable income, including the execution of certain available tax strategies if needed. Based on these factors, the Company considers it is more likely than not it will realize the benefits of these deductible differences as of March 31, 2023.

Deductible temporary differences and net operating loss carryforwards for unrecognized deferred tax assets are as follows:

Millions of yen

	March 31, 2023	March 31, 2022
Deductible temporary differences	1,012,587	1,472,491
Net operating loss carryforwards	623,273	639,614
Total	1,635,860	2,112,105

Net operating loss carryforwards for unrecognized deferred tax assets will expire as follows:

Millions of yen

	March 31, 2023	March 31, 2022
Within 5 years	119,265	148,530
After 5 years but not more than 10 years	201,007	195,641
More than 10 years or do not expire	303,001	295,443
Total	623,273	639,614

(13) Trade Payables

The components of trade payables are as follows:

Millions of yen

	March 31, 2023	March 31, 2022
Accounts payable	1,463,971	1,606,006
Others	84,526	148,627
Total	1,548,497	1,754,633

Others include electronically recorded monetary claims and notes payable.

(14) Provisions

Changes in the balance and components of provisions for the year ended March 31, 2023 are as follows:

Millions of yen

	Asset retirement obligations	Provisions related to restructuring (structural reform)	Product warranty provisions	Provisions for expected losses on construction contracts	Other provisions
March 31, 2022	32,685	8,182	69,647	90,758	132,388
Additions	2,406	9,323	24,746	70,715	26,964
Utilized	(1,547)	(10,211)	(19,666)	(68,113)	(26,646)
Acquisitions and divestitures	(3,293)	(31)	(3,924)	-	(5,794)
Currency translation effects, and others	(208)	659	537	1,592	3,544
March 31, 2023	30,043	7,922	71,340	94,952	130,456
Current	1,429	7,582	59,734	93,412	115,800
Non-current	28,614	340	11,606	1,540	14,656

Asset Retirement Obligations

The Company and its subsidiaries recognize asset retirement obligations principally based on the estimated future expenditures using historical experience when the Company and its subsidiaries have a legal or contractual obligation associated with the retirement of tangible fixed assets used in normal operations, such as lease dilapidations of factory facilities and premises.

Provisions Related to Restructuring (Structural Reform)

Provision related to restructuring (structural reform) is recognized when the Company and its subsidiaries have a detailed formal plan for the restructuring of the business or a part of business and have raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected. The provision is recognized based on the estimated amount of direct expenditures attributable to restructuring.

Provisions related to restructuring (structural reform) mainly include special termination benefits for restructuring (structural reform).

Product Warranty Provisions

The Company and its subsidiaries provide warranties for certain products and services. Product warranty provisions are recognized by estimating future expenditures based principally on historical experience of warranty claims.

Provisions for Expected Losses on Construction Contracts

Provisions for expected losses on construction contracts are recognized based on future estimated losses as the Company and its subsidiaries fulfill long-term project requirements.

(15) Employee Benefits

(a) Retirement and Severance Benefits

The Company and certain subsidiaries have defined benefit pension plans and severance lump-sum payment plans, as well as defined contribution pension plans to provide retirement and severance benefits to substantially all employees.

The principal defined benefit pension plan is a corporate pension plan based on the Japanese Defined Benefit Corporate Pension Plan Act (the Act). Additionally, certain corporate pension plans adopt cash balance plans. Benefits under cash balance plans are calculated per each plan participant with a notional account balance, based on the contribution credits per salary level and interest credits based on market interest rate trends.

Pursuant to the Act, the Company has an obligation to make contributions to the Hitachi Pension Fund (the Fund) that manages the corporate pension plans. The directors of the Fund are responsible for faithfully executing operations in compliance with laws and regulations, and any orders issued by the Minister of Health, Labor and Welfare, and the director-generals of Regional Bureaus of Health and Welfare based on laws and regulations, as well as the rules of the Fund and the resolution of the Board of Representatives. The Fund prohibits the directors from acts that constitute conflicts of interests in the management and operation of the funds contributed for benefit payments (the contributions). If breached, the board members are jointly and severally held responsible.

The Fund is legally independent from the Company. The Board of Representatives comprises an equal number of representatives selected by the company and certain subsidiaries and representatives from the employee side. The proceedings of a Board of Representatives are decided by a majority vote of the members attending. In case of a tied vote, the chairman has the power to decide, except for exceptionally significant matters.

The actual management of the contributions is conducted by trustees in accordance with rules approved by the Board of Representatives. The Fund is responsible for managing the contributions to safely and efficiently manage the contributions by establishing the basic management policy of the contributions and preparing the management guidance in line with the policy submitted to the trustees.

The Company has future obligations to make contributions as defined by the Fund. The amount of contribution is periodically reviewed to the extent allowed by law.

Since the Company and a consolidated subsidiary of the Company introduced a risk-sharing corporate pension plan on April 1, 2019, for current employees participating in the defined benefit pension plan managed by the Hitachi Pension Fund, the same has been promoted to the other subsidiaries that participate in pension plan managed by the Hitachi Pension Fund. On April 1, 2022, newly 43 subsidiaries have changed their pension plans for current employees from defined benefit pension plan to risk-sharing corporate pension plan, and now the revision of Hitachi group pension plan managed by the Hitachi Pension Fund has been almost completed. Under this plan, a risk reserve contribution is determined in advance in accordance with the rules governing the plan, and the pension benefits are adjusted annually based on the financial position of the plan to maintain balanced finance.

The risk-sharing corporate pension plan introduced by the Company and Hitachi Industrial Products, Ltd., is a mechanism in which management and labor unions share risks. At the time of the transfer to this system, the employer bears certain risks by making fixed contributions, including contributions to the risk-sharing corporate pension plan, in accordance with agreements between management and labor unions. In the event of a financial imbalance, the plan participants also bear certain risks by adjusting benefits. Under the previous defined benefit pension plan, employers were required to make additional contributions in the event of a funding shortfall. The risk-sharing corporate pension plan, however, measures the risks that may arise in the future, and sets contributions to the risk-sharing corporate pension plan within the scope of the agreement between management and labor unions in advance to balance contributions. The amount equivalent to the contributions made to risk-sharing corporate pension plan determined based on the level of the fiscal deterioration risk, which is calculated at the time of transfer, shall be contributed to the plan on a straight-line basis over five years from the date of transfer, and no additional contributions are required.

In terms of the corresponding accounting treatment for retirement benefits, risk-sharing corporate pension plans, for which an entity accepts contribution obligations to the extent stipulated in the rules but has no further obligations to make any additional contributions, are classified as defined contribution plans. The risk-sharing corporate pension plans managed by the Hitachi Pension Fund impose no additional contribution obligations, so the risk-sharing corporate pension plans are also classified as defined contribution plans. Therefore, since 43 subsidiaries have newly introduced the risk-sharing corporate pension plans on April 1, 2022, the difference between the defined benefit obligations related to the portion transferred to the revised plan and the amount of assets transferred to the revised plan corresponding to the decrease in defined benefit obligations, 51,185 million yen, was recognized as a settlement loss in Other expenses in the consolidated statement of profit or loss. In addition, in the consolidated statement of financial position, Other non-current assets decreased by 49,334 million yen, and Retirement and severance benefits increased by 1,851 million yen, respectively. Excluding the settlement loss in above, the impacts of changing pension plans on profit or loss for the fiscal year ended March 31, 2023 are not material.

The severance lump-sum payment plans provide a lump-sum payment at the time of retirement, and the benefit is calculated based on factors such as the salary level at retirement and the years of service. The Company and certain subsidiaries have an obligation to pay benefits directly to beneficiaries.

Defined contribution plans require companies to make contributions over a participation period, and plan participants themselves are responsible for the management of plan assets. Benefits are paid by the trustee, and the Company and certain subsidiaries’ responsibility is limited to making contributions.

Changes in the present value of defined benefit obligations and the fair value of plan assets for the years ended March 31, 2023 and 2022 are as follows:

Millions of yen

	March 31, 2023	March 31, 2022
Defined benefit obligations		
At beginning of year	1,879,432	1,934,204
Service cost	33,847	64,728
Interest cost	10,629	11,654
Plan amendments	(85)	(523)
Actuarial losses	(32,352)	(35,223)
Benefits paid	(89,487)	(100,347)
Acquisitions and divestitures	(272,034)	(3,053)
Transfer to defined contribution pension plan	(3,114)	(589)
Settlements/curtailments	(3,901)	(4,788)
Effect of shift to risk-sharing corporate pension plan	(498,477)	(10,448)
Currency translation effect	29,112	23,817
At end of year	1,053,570	1,879,432
Fair value of plan assets		
At beginning of year	1,598,966	1,584,799
Interest income	7,845	9,542
Return on plan assets (excluding interest income)	(15,176)	11,456
Employers’ contributions	14,265	66,986
Employees’ contributions	3,580	2,754
Benefits paid	(66,084)	(73,796)
Acquisitions and divestitures	(208,104)	(3,569)
Transfer to defined contribution pension plan	(830)	(14)
Settlements/curtailments	(3,886)	(5,134)
Effect of shift to risk-sharing corporate pension plan	(549,662)	(10,201)
Currency translation effect	19,150	16,143
At end of year	800,064	1,598,966
Effect of asset ceiling	8,186	8,692
Net liability amount recognized in the consolidated statement of financial position	261,692	289,158

The components of actuarial gain or loss are as follows:

Millions of yen

	March 31, 2023	March 31, 2022
Arising from changes in financial assumptions	35,015	33,091
Arising from changes in demographic assumptions	140	(2,799)
Other	(2,803)	4,931

The Company and certain subsidiaries remeasure the defined benefit obligations and plan assets at the end of the fiscal year. The discount rates used in actuarial calculation of defined benefit obligations are as follows:

Percentage

	March 31, 2023	March 31, 2022
Discount rate	1.2	0.8

If, at March 31, 2023, the discount rate rose by 0.5%, the defined benefit obligations would decrease by 44,496 million yen, and if the discount rate decreased by 0.5%, the defined benefit obligations would increase by 48,584 million yen.

The sensitivity analysis is based on an assumption that all other variables other than the one analyzed are held constant; in reality, changes in other assumptions may impact the outcome of the analysis.

The Fund's plan asset management is based on the safe and efficient management of the contributions, diversified investments and determination of the investment ratio that should be sustained over the long term. The Fund seeks to maintain current value of assets sufficient for future obligations. A target rate of return is established to ensure a stable long term rate of return on assets. A diversified investment strategy is carried out while a target asset allocation is established to achieve the target rate of return. The target asset allocation is based on the expected rate of return by each class of asset, the standard deviation of the rate of return and the correlation coefficient among the assets. If market values fluctuate exceeding certain levels, the investment ratio is adjusted to the target allocation ratio in order to control risks.

In selecting trustees or asset management companies, the Fund takes into account appropriate quantitative and qualitative evaluations. The Fund also presents its management policies to the trustees or asset management companies, and periodically receives asset management reports.

The fair values of plan assets invested as of March 31, 2023 and 2022 are as follows:

Millions of yen

	March 31, 2023		
	With quoted market price in an active market	With no quoted market price in an active market	Total
Equity	1,178	168	1,346
Government bonds and municipal debt securities	3,203	200	3,403
Corporate bonds and other debt securities	-	5,783	5,783
Hedge funds	-	23,426	23,426
Securitization products	-	13,963	13,963
Cash and cash equivalents	30,694	-	30,694
Life insurance general accounts	-	79,720	79,720
Commingled funds	-	604,746	604,746
Other	3,085	33,898	36,983
Total	38,160	761,904	800,064

Millions of yen

	March 31, 2022		
	With quoted market price in an active market	With no quoted market price in an active market	Total
Equity	10,631	339	10,970
Government bonds and municipal debt securities	4,821	1,011	5,832
Corporate bonds and other debt securities	-	13,844	13,844
Hedge funds	-	45,243	45,243
Securitization products	-	44,205	44,205
Cash and cash equivalents	34,279	-	34,279
Life insurance general accounts	-	155,627	155,627
Commingled funds	-	1,255,021	1,255,021
Other	1,869	32,076	33,945
Total	51,600	1,547,366	1,598,966

As of March 31, 2023, investments in equity were allocated to approximately 10% in stocks listed in Japan and 90% in stocks listed in foreign markets. As of March 31, 2022, investments in equity were allocated to approximately 40% in stocks listed in Japan and 60% in stocks listed in foreign markets.

As of March 31, 2023, Japanese government bonds made up approximately 2% of the government bonds and municipal debt securities, the majority of which were Japanese national bonds. As of March 31, 2022, Japanese government bonds made up approximately 1% of the government bonds and municipal debt securities, the majority of which were Japanese national bonds. Foreign public bonds, as of March 31, 2023, took approximately 98%, the majority of which were foreign national bonds, and as of March 31, 2022, foreign public bonds took approximately 99%, the majority of which were foreign national bonds.

As of March 31, 2023, investments in corporate bonds and other debt securities were allocated to 100% in foreign corporate bonds and debt instruments. As of March 31, 2022, investments in corporate bonds and other debt securities were allocated to approximately 4% in Japanese corporate bonds and debt instruments, and 96% in foreign corporate bonds and debt instruments.

Hedge funds primarily consist of investments in relative value strategy funds, event driven funds, equity long or short funds, and macroeconomic and Commodity Trading Advisor (CTA) funds.

Securitization products primarily consist of investments in equity of Japanese real estate funds, and debt and equity of collateralized loan obligations (CLO).

Commingled funds represent pooled institutional investments. As of March 31, 2023 and 2022, commingled funds were allocated to 30% in listed stocks, 40% in government bonds, 10% in corporate bonds and other debt securities, 10% in cash and cash equivalents and 10% in other assets.

Funding by the Fund is conducted by taking into account various factors such as funded status and actuarial calculations. For the purpose of maintaining balanced finance into the future, the bylaws of the Fund require recalculation of the contribution amounts at the end of fiscal year every five years. Basic assumptions (expected interest rates, mortality rates, withdrawal rate, etc.) are reviewed to recalculate the appropriate level of contribution.

The amount of contributions expected to be paid by the Company and its subsidiaries to the plan assets for the year ending March 31, 2024 is 11,742 million yen.

The weighted average duration (expected average maturity) of defined benefit obligations as of March 31, 2023 and 2022 were 9.8 years and 12.1 years, respectively.

Contributions made to defined contribution plans and expensed in profit or loss in the years ended March 31, 2023 and 2022 were 44,087 million yen and 44,123 million yen, respectively.

In addition, contributions made to the risk-sharing corporate pension plan and expensed in profit or loss in the years ended March 31, 2023 and 2022 were 39,629 million yen and 18,011 million yen, respectively. The amount of the contributions to the risk-sharing corporate pension plan expected to be paid by the Company and its subsidiaries for the year ending March 31, 2024 is 12,308 million yen.

(b) Employee Benefit Expenses

The aggregated amounts of employee benefit expenses including salary recognized in the consolidated statement of profit or loss for the years ended March 31, 2023 and 2022 were 2,937,094 million yen and 2,742,701 million yen, respectively.

(16) Equity

(a) Common Stock

Number of shares

	March 31, 2023	March 31, 2022
Total number of authorized shares	2,000,000,000	2,000,000,000

	Issued shares outstanding (Number of shares)	Capital amount (Millions of yen)
March 31, 2021	967,885,277	460,790
March 31, 2022	968,234,877	461,731
March 31, 2023	938,083,077	462,817

Note: For the year ended March 31, 2022, the Company issued new shares as restricted stock compensation, and the total number of issued shares increased by 349,600 shares on June 15, 2021.
For the year ended March 31, 2023, the Company issued new shares as restricted stock compensation, and the total number of issued shares increased by 337,000 shares on June 15, 2022, meanwhile the Company cancelled treasury stock, and the total number of issued shares decreased by 30,488,800 shares on December 14, 2022 to 938,083,077 shares.

Shares issued by the Company are non-par value common stock. The issued shares above include treasury stock. The changes in treasury stock for the years ended March 31, 2023 and 2022 are as follows:

	Treasury stock	
	(Number of shares)	(Millions of yen)
March 31, 2021	1,055,799	3,493
Acquisition of treasury stock	178,413	251
Sales of treasury stock	(235,491)	(742)
March 31, 2022	998,721	3,002
Acquisition of treasury stock	30,084,761	200,212
Sales of treasury stock	(83,852)	(258)
Cancellation of treasury stock	(30,488,800)	(199,417)
March 31, 2023	510,830	3,539

The number of shares of the Company held by the Company's associates as of March 31, 2023 and 2022 were 31,100 shares and 33,200 shares, respectively.

(b) Surplus

(i) Capital Surplus

The Companies Act of Japan mandates that at least half of paid-in capital be appropriated as common stock and the rest be appropriated as legal reserve within capital surplus.

The changes in capital surplus include the effect of changes in the Company's ownership interest in its consolidated subsidiaries and cancellation of treasury stock. For the year ended March 31, 2022, the changes in capital surplus were mainly the decrease due to a put option on non-controlling interests recognized by the Company and its subsidiaries.
For the year ended March 31, 2023, the changes in capital surplus were mainly the decrease due to the cancellation of treasury stock.

In the event that the balance of capital surplus at the end of a period is negative, the Company transfers from retained earnings to ensure a capital surplus is maintained.

(ii) Retained Earnings

The Companies Act of Japan requires that ten percent of retained earnings appropriated for dividends be retained until the total amount of earned reserves included in capital reserve and retained earnings reaches a quarter of the nominal value of common stock. Earned reserves may be available for dividends by resolution at the shareholders' meeting.

(17) Accumulated Other Comprehensive Income (AOCI) and Other Comprehensive Income (OCI)

Components of AOCI, net of related tax effects, presented in the consolidated statement of changes in equity, and changes in each component for the years ended March 31, 2023 and 2022 are as follows:

Millions of yen

	2023	2022
Foreign currency translation adjustments		
Balance at beginning of year	444,651	110,727
OCI, net of reclassification	166,238	322,062
Net transfer of non-controlling interests	24,371	11,862
Balance at end of year	635,260	444,651
Remeasurements of defined benefit plans		
Balance at beginning of year	105,675	80,300
OCI	38,254	26,092
Net transfer of non-controlling interests	41	264
Reclassified into retained earnings	(56,003)	(981)
Balance at end of year	87,967	105,675
Net changes in financial assets measured at fair value through OCI		
Balance at beginning of year	110,109	135,022
OCI	22,260	(11,461)
Net transfer of non-controlling interests	(47)	428
Reclassified into retained earnings	(16,967)	(13,880)
Balance at end of year	115,355	110,109
Net changes in cash flow hedges		
Balance at beginning of year	(21,172)	(52,488)
OCI, net of reclassification	29,943	37,845
Others	(961)	(6,529)
Balance at end of year	7,810	(21,172)
Total AOCI		
Balance at beginning of year	639,263	273,561
OCI, net of reclassification	256,695	374,538
Net transfer of non-controlling interests	24,365	12,554
Reclassified into retained earnings	(72,970)	(14,861)
Others	(961)	(6,529)
Balance at end of year	846,392	639,263

The following shows a reconciliation of OCI, including non-controlling interests, to profit or loss items and deferred income tax effect per components of OCI during the years ended March 31, 2023 and 2022.

Millions of yen

	2023		
	Before tax	Tax effect	After tax
OCI arising during the year:			
Foreign currency translation adjustments	308,396	(2,276)	306,120
Remeasurements of defined benefit plans	16,978	23,224	40,202
Net changes in financial assets measured at fair value through OCI	35,012	(13,528)	21,484
Net changes in cash flow hedges	(4,584)	6	(4,578)
Share of OCI of investments accounted for using the equity method	27,996	(6,747)	21,249
Total	383,798	679	384,477
Reconciliation of OCI to profit or loss:			
Foreign currency translation adjustments	(78,818)	5,058	(73,760)
Net changes in cash flow hedges	15,748	(3,905)	11,843
Share of OCI of investments accounted for using the equity method	(5,150)	7	(5,143)
Total	(68,220)	1,160	(67,060)
OCI, net of reclassification adjustments:			
Foreign currency translation adjustments	229,578	2,782	232,360
Remeasurements of defined benefit plans	16,978	23,224	40,202
Net changes in financial assets measured at fair value through OCI	35,012	(13,528)	21,484
Net changes in cash flow hedges	11,164	(3,899)	7,265
Share of OCI of investments accounted for using the equity method	22,846	(6,740)	16,106
Total	315,578	1,839	317,417
OCI, net of reclassification adjustments, attributable to non-controlling interests:			
Foreign currency translation adjustments			58,178
Remeasurements of defined benefit plans			2,627
Net changes in financial assets measured at fair value through OCI			56
Net changes in cash flow hedges			(139)
Total			60,722
OCI, net of reclassification adjustments, attributable to Hitachi, Ltd. stockholders:			
Foreign currency translation adjustments			174,182
Remeasurements of defined benefit plans			37,575
Net changes in financial assets measured at fair value through OCI			21,428
Net changes in cash flow hedges			7,404
Share of OCI of investments accounted for using the equity method			16,106
Total			256,695

Millions of yen

	2022		
	Before tax	Tax effect	After tax
OCI arising during the year:			
Foreign currency translation adjustments	396,113	(3,702)	392,411
Remeasurements of defined benefit plans	40,261	(9,466)	30,795
Net changes in financial assets measured at fair value through OCI	(17,058)	5,834	(11,224)
Net changes in cash flow hedges	13,426	(5,213)	8,213
Share of OCI of investments accounted for using the equity method	32,730	(2,881)	29,849
Total	465,472	(15,428)	450,044
Reconciliation of OCI to profit or loss:			
Foreign currency translation adjustments	(922)	-	(922)
Net changes in cash flow hedges	0	(41)	(41)
Share of OCI of investments accounted for using the equity method	12,126	(1,171)	10,955
Total	11,204	(1,212)	9,992
OCI, net of reclassification adjustments:			
Foreign currency translation adjustments	395,191	(3,702)	391,489
Remeasurements of defined benefit plans	40,261	(9,466)	30,795
Net changes in financial assets measured at fair value through OCI	(17,058)	5,834	(11,224)
Net changes in cash flow hedges	13,426	(5,254)	8,172
Share of OCI of investments accounted for using the equity method	44,856	(4,052)	40,804
Total	476,676	(16,640)	460,036
OCI, net of reclassification adjustments, attributable to non-controlling interests:			
Foreign currency translation adjustments			81,063
Remeasurements of defined benefit plans			4,595
Net changes in financial assets measured at fair value through OCI			(58)
Net changes in cash flow hedges			(102)
Total			85,498
OCI, net of reclassification adjustments, attributable to Hitachi, Ltd. stockholders:			
Foreign currency translation adjustments			310,426
Remeasurements of defined benefit plans			26,200
Net changes in financial assets measured at fair value through OCI			(11,166)
Net changes in cash flow hedges			8,274
Share of OCI of investments accounted for using the equity method			40,804
Total			374,538

(18) Dividends

Dividends paid on the Company's common stock for the years ended March 31, 2023 and 2022 are as follows:

Decision	Cash dividends (millions of yen)	Appropriation from	Cash dividends per share (yen)	Record date	Effective date
The Board of Directors on October 28, 2022	66,277	Retained earnings	70.0	September 30, 2022	November 29, 2022
The Board of Directors on May 13, 2022	62,870	Retained earnings	65.0	March 31, 2022	June 2, 2022
The Board of Directors on October 27, 2021	58,035	Retained earnings	60.0	September 30, 2021	November 29, 2021
The Board of Directors on May 12, 2021	53,175	Retained earnings	55.0	March 31, 2021	June 2, 2021

The dividends on the Company's common stock whose record date falls in the year ended March 31, 2023 and the effective date falls in the next fiscal year is as follows:

Decision	Cash dividends (millions of yen)	Appropriation from	Cash dividends per share (yen)	Record date	Effective date
The Board of Directors on May 12, 2023	70,317	Retained earnings	75.0	March 31, 2023	June 2, 2023

(19) Stock-based Compensation

The Company introduced a restricted stock compensation plan as stock-based compensation in place of the stock option plan and grants shares of restricted stock in place of the existing stock options as stock-based compensation from the year ended March 31, 2020. In addition, the Company introduced a restricted stock unit plan and grants restricted stock units from the year ended March 31, 2021.

Stock-based compensation expenses recognized for the years ended March 31, 2023 and 2022 were 1,699 million yen and 1,404 million yen, respectively.

(a) Restricted stock compensation plan

In accordance with the restricted stock compensation plan (hereinafter "Plan") to be introduced by the Company, Executive Officers and Corporate Officers of the Company or any of its subsidiaries (hereinafter "Eligible Persons") will receive shares of common stock to be newly issued or disposed by the Company by making contributions in kind of the monetary compensation claims which are granted in order to allot the shares of restricted stock to the Eligible Persons. In addition, with respect to the issuance or disposition of shares of common stock of the Company under the Plan, the Company and each Eligible Person executes an agreement on allotment of restricted stock (hereinafter "Allotment Agreement").

Outline of the Allotment Agreement

(1) Transfer restriction period

From the payment date relating to the issuance or disposition of the shares of restricted stock to the date on which the Eligible Person ceases to be an Executive Officer, Director or Corporate Officer of the Company or any of its subsidiaries.

(2) Acquisition by the Company without consideration

If certain events set out in the Allotment Agreement occur, the Company will acquire the shares without any consideration promptly on or after a date notified to Eligible Persons. The Company will also acquire the shares for which the transfer restrictions are definitely not lifted at the time of such determination, without any consideration.

The outlines of issuance for the years ended March 31, 2023 and 2022 are as follows.

	March 31, 2023	March 31, 2022
Issuance date	June 15, 2022	June 15, 2021
Number of shares	303,000 shares	332,000 shares
Issue price per share [1] [2]	6,448 yen	5,384 yen

[1] The issue price for the year ended March 31, 2023 is the closing price per share for the Company's common stock on May 10, 2022 (preceding business day of the date upon the decision by the President regarding the issuance of new shares) in the Prime Market of the Tokyo Stock Exchange, Inc.

[2] The issue price for the year ended March 31, 2022 is the closing price per share for the Company's common stock on May 17, 2021 (preceding business day of the date upon the decision by the President regarding the issuance of new shares) in the first section of the Tokyo Stock Exchange, Inc.

(b) Restricted stock unit (hereinafter "RSU") plan

In accordance with the RSU plan to be introduced by the Company, the Company's non-Japanese Executive Officers and Corporate Officers (hereinafter "Eligible Persons") will be granted restricted stock units (hereinafter "RSUs") corresponding to the number of shares of the Company's common stock (hereinafter "Shares to be Delivered") set in advance for each Eligible Person and, over three fiscal years after granting, one-third of the RSUs will become vested after the end of each fiscal year and the Shares to be Delivered and cash for the vested RSUs will be delivered.

The Eligible Persons will receive shares of common stock to be newly issued or disposed by the Company by making contributions in kind of the monetary compensation claims which are granted after the end of each fiscal year in order to allot the Shares to be Delivered to the Eligible Persons.

If the Eligible Persons retire due to expiration of their term of office, death or other legitimate reasons recognized by the Company's Compensation Committee, they will receive the Shares to be Delivered and cash corresponding to the portion of RSUs granted reflecting the period from the granting date until such retirement.

(c) Stock option plan

Under the Company's stock option plan, Executive Officers and Corporate Officers are granted the right to purchase shares of common stock of the Company (hereinafter "Stock Acquisition Rights").

Details of the Company's stock option plan for the years ended March 31, 2023 and 2022 are as follows.

Fiscal Year of Issuance and Name	Grant Date	Exercise period
Year ended March 31, 2019		
The Third Stock Acquisition Rights of Hitachi, Ltd.	April 11, 2018	From April 27, 2018 to April 26, 2048
Year ended March 31, 2018		
The Second Stock Acquisition Rights of Hitachi, Ltd.	April 6, 2017	From April 27, 2017 to April 26, 2047
Year ended March 31, 2017		
The First Stock Acquisition Rights of Hitachi, Ltd.	June 29, 2016	From July 15, 2016 to July 14, 2046

Conditions for the exercise of Stock Acquisition Rights

(1) During the above exercise period, a holder of Stock Acquisition Rights may exercise all the Stock Acquisition Rights determined in accordance with the provisions of paragraph (2) or (3) below in a lump sum only within ten days (in case the last day is not a business day, the following business day) from the day immediately following the date on which he/she ceases to be an Executive Officer, a Director or a Corporate Officer of the Company.

(2) The number of Stock Acquisition Rights that a holder of Stock Acquisition Rights may exercise, shall be determined based on the ratio of (i) the total shareholder return (hereinafter "TSR") for shares of the Company for three years from the beginning of the fiscal year in which the date of allotment of the Stock Acquisition Rights falls (hereinafter "Waiting Period") to (ii) the growth rate of TOPIX (Tokyo Stock Price Index) for the same period (hereinafter "TSR/TOPIX Growth Rate Ratio"): market condition.

(3) The number of Stock Acquisition Rights, that a holder of Stock Acquisition Rights who has left his/her position in the Company before the end of the Waiting Period (hereinafter "Resignee") may exercise, shall be determined by reducing the number of Stock Acquisition Rights allotted to him/her in proportion to the term of office of the Resignee in the Waiting Period, and applying the TSR/TOPIX Growth Rate Ratio for the period from the beginning of the fiscal year in which the date of allotment of the Stock Acquisition Rights falls to the time of resignation in accordance with the provision of paragraph (2) above.

A summary of stock option activity for the years ended March 31, 2023 and 2022 is as follows. The number of stock options is translated into their equivalent number of shares (20 shares per stock option).

	2023		2022	
	Number of shares (shares)	Weighted average exercise price (yen)	Number of shares (shares)	Weighted average exercise price (yen)
Outstanding at beginning of year	499,000	1	731,540	1
Granted	-	-	-	-
Forfeited [1]	-	-	(60)	1
Exercised	(81,660)	1	(232,480)	1
Expired	-	-	-	-
Outstanding at end of year	417,340	1	499,000	1
Exercisable at end of year	-	-	-	-

[1] Including the Stock Acquisition Rights which became non-exercisable because of the market condition.

The weighted average share prices at the date of exercise for the years ended March 31, 2023 and 2022 were 5,849.0 yen and 5,358.5 yen.

The range of exercise price as of March 31, 2023 and 2022 was 1 yen. The weighted average remaining contractual lives of stock options outstanding as of March 31, 2023 and 2022 were 24.2 years and 25.2 years, respectively.

(20) Revenues

(a) Disaggregation of revenue

The Company derives revenues primarily from contracts with customers. The following table shows the disaggregation of revenue attributable to each reportable segment and geographic area.

Effective from April 1, 2022, the Company reclassified its reportable segments. Accordingly, figures for the year ended March 31, 2022 have been restated on the basis of the reclassification. Details of the reclassification are described in note 4.

Millions of yen

2023	Japan	Asia	North America	Europe	Other Areas	Overseas Revenues Subtotal	Total Revenues
Digital Systems & Services	1,555,208	236,443	321,996	222,346	53,102	833,887	2,389,095
Green Energy & Mobility	444,499	413,579	458,978	829,339	346,127	2,048,023	2,492,522
Connective Industries	1,480,942	994,751	259,907	201,803	37,869	1,494,330	2,975,272
Automotive Systems	485,774	699,256	455,255	161,012	118,770	1,434,293	1,920,067
Hitachi Construction Machinery	80,640	83,040	94,671	80,460	136,303	394,474	475,114
Hitachi Metals	323,193	181,280	283,606	41,547	18,100	524,533	847,726
Others	391,886	62,748	6,121	8,140	4,120	81,129	473,015
Subtotal	4,762,142	2,671,097	1,880,534	1,544,647	714,391	6,810,669	11,572,811
Corporate items and Eliminations	(643,898)	(35,983)	(2,542)	(8,699)	(539)	(47,763)	(691,661)
Total	4,118,244	2,635,114	1,877,992	1,535,948	713,852	6,762,906	10,881,150

Millions of yen

2022	Japan	Asia	North America	Europe	Other Areas	Overseas Revenues Subtotal	Total Revenues
Digital Systems & Services	1,527,657	180,128	231,011	173,764	41,065	625,968	2,153,625
Green Energy & Mobility	420,020	402,930	324,190	656,925	246,958	1,631,003	2,051,023
Connective Industries	1,449,180	903,110	211,039	132,692	56,877	1,303,718	2,752,898
Automotive Systems	455,282	606,321	316,216	130,012	89,887	1,142,436	1,597,718
Hitachi Construction Machinery	216,922	195,722	196,425	162,798	253,094	808,039	1,024,961
Hitachi Metals	402,155	204,913	274,458	42,268	18,907	540,546	942,701
Others	384,058	53,768	6,749	8,076	3,654	72,247	456,305
Subtotal	4,855,274	2,546,892	1,560,088	1,306,535	710,442	6,123,957	10,979,231
Corporate items and Eliminations	(668,197)	(32,049)	(4,946)	(7,122)	(2,315)	(46,432)	(714,629)
Total	4,187,077	2,514,843	1,555,142	1,299,413	708,127	6,077,525	10,264,602

The Digital Systems & Services segment consists of Front Business, IT Services, and Services & Platforms, for which revenue amounted to 982,541 million yen, 898,298 million yen and 938,130 million yen for the year ended March 31, 2023 and 948,031 million yen, 842,733 million yen and 776,391 million yen for the year ended March 31, 2022, respectively (including intersegment transactions). Front Business and IT Services are operated mainly in Japan, and Services & Platforms is operated mainly in Japan, North America and Europe.

The Company's revenues include revenue recognized based on the pattern of the cost accrual arising from long-term projects. Of the revenue recognized during the fiscal years ended March 31, 2023 and 2022, the amount of revenue recognized based on the pattern of the cost accrual arising from long-term projects was 1,805,588 million yen and 1,578,613 million yen, respectively.

(b) Information about satisfaction of performance obligations

The following is information about satisfaction of performance obligations related to major goods and services of each reportable segment.

(Digital Systems & Services)

Front Business and IT Services primarily provide goods and services such as system integration, consulting and cloud service. Services & Platforms primarily provides IT products and software.

These long-term projects in system integration, consulting and cloud service businesses provide goods and services according to customers' specifications over a specified period of time, and revenue is recognized mainly based on the pattern of the cost accrual (the progress of the project mostly based on the cost incurred relative to the estimated total cost) or the passage of time as performance obligations are satisfied over time. Many of the contracts require payments based on milestones, and in some cases, payments are made before performance obligations are satisfied.

In IT products and software businesses, revenue is recognized when control over the goods is transferred to customers as performance obligations are satisfied at the point in time upon the completion or upon delivery of the goods. Mostly, payment terms stipulate that the consideration is received within one year after the performance obligation is satisfied, and there are no significant transactions in which payment terms include deferred payments, etc.

(Green Energy & Mobility and Connective Industries)

The Green Energy & Mobility segment includes revenue from businesses such as energy solutions and railway systems. The energy solutions business is operated mainly in Asia, North America, and Europe. The railway systems business is operated mainly in Europe. The Connective Industries segment includes revenue from businesses such as building systems, smart life & ecofriendly systems, measurement and analytical systems, and industry & distribution solutions. The building systems business is operated mainly in China, the smart life & ecofriendly systems business is operated mainly in Japan, the measurement and analytical systems business is operated mainly in Japan, Asia, North America, and Europe, and the industry & distribution solutions business is operated mainly in Japan.

Long-term projects related to contracts such as construction in these segments involve manufacturing and providing goods based on customers' specifications over a specified period of time. As performance obligations are satisfied over time, revenue is recognized mainly based on the pattern of the cost accrual (the progress of the project mostly based on the cost incurred relative to the estimated total cost). In addition, these segments provide certain services promised in the contracts such as maintenance throughout the duration of the contract, and recognize revenue over time based on the passage of time. Many of the contracts require payments based on milestones, and, in some cases, payments are made before performance obligations are satisfied.

Further, in the sale of elevators, home appliances, measurement and analytical systems, industrial equipment, etc. included in the Connective Industries segment, revenue is recognized when control over the goods is transferred to customers as performance obligations are satisfied at the point in time upon the completion or upon delivery of the goods. Mostly, payment terms stipulate that the consideration is received within one year after the performance obligation is satisfied, and there are no significant transactions in which payment terms include deferred payments, etc.

(Other)

In the Automotive Systems, Hitachi Construction Machinery, and Hitachi Metals segments, performance obligations are generally satisfied at a point in time upon completion or upon delivery of the goods, and revenue is recognized when control over goods is transferred to customers. Mostly, payment terms stipulate that the consideration is received within one year after the performance obligation is satisfied, and there are no significant transactions in which payment terms include deferred payments, etc.

These segments provide certain services promised in the contracts such as maintenance throughout the duration of the contract, and they recognize revenue over time based on the passage of time. Mostly, payment terms stipulate that the consideration is received within one year after the performance obligation is satisfied, and there are no significant transactions in which payment terms include deferred payments, etc.

(c) Information about contract balances

The following table shows the beginning and ending balances of Trade receivables, Contract assets and Contract liabilities from contracts with customers for the fiscal years ended March 31, 2023 and 2022.

Millions of yen

	2023		2022	
	March 31, 2023	April 1, 2022	March 31, 2022	April 1, 2021
Trade receivables	2,072,238	2,381,832	2,381,832	2,115,973
Contract assets	849,402	665,627	665,627	676,524
Contract liabilities	1,314,799	1,150,592	1,150,592	1,016,207

Of the revenue recognized during the fiscal years ended March 31, 2023 and 2022, the amount included in Contract liabilities at the beginning of the fiscal years was 745,452 million yen and 604,800 million yen, respectively. And the amount related to performance obligations satisfied in the past periods was not material.

(d) Transaction price allocated to remaining performance obligations

The following table shows the balance of unsatisfied performance obligations by reportable segment for the fiscal years ended March 31, 2023 and 2022.

Millions of yen

	March 31, 2023		March 31, 2022	
	Intersegment transactions	Balance of unsatisfied performance obligations	Intersegment transactions	Balance of unsatisfied performance obligations
Digital Systems & Services	52,481	1,253,318	58,982	1,141,343
Green Energy & Mobility	45,801	7,554,950	37,208	5,909,221
Connective Industries	106,653	1,825,227	102,790	1,682,357

Segments of the Company and its subsidiaries that have contracts under which revenue is recognized over a long period of time are primarily the Digital Systems & Services segment, Green Energy & Mobility segment and Connective Industries segment.

The estimated timing of unsatisfied performance obligations at the fiscal year ended March 31, 2023 is as follows.
Approximately 90% of the balance of unsatisfied performance obligations of the Digital Systems & Services segment was expected to be satisfied within three years and approximately 10% after three years but no more than five years.
Approximately 60% of the balance of unsatisfied performance obligations of the Green Energy & Mobility segment was expected to be satisfied within three years and approximately 40% after three years but no more than five years.
Approximately 90% of the balance of unsatisfied performance obligations of the Connective Industries segment was expected to be satisfied within three years.

The estimated timing of unsatisfied performance obligations at the fiscal year ended March 31, 2022 is as follows.
Approximately 90% of the balance of unsatisfied performance obligations of the Digital Systems & Services segment was expected to be satisfied within three years and approximately 10% after three years but no more than five years.
Approximately 60% of the balance of unsatisfied performance obligations of the Green Energy & Mobility segment was expected to be satisfied within three years and approximately 10% after three years but no more than five years.
Approximately 90% of the balance of unsatisfied performance obligations of the Connective Industries segment was expected to be satisfied within three years.

The remaining segments have contracts whose initial expected terms are generally one year or less. Accordingly, related information is excluded from this disclosure in accordance with the practical expedient.

(e) Assets recognized from the costs incurred for obtaining or fulfilling contracts with customers

The Company and its subsidiaries recognize the costs incurred for obtaining or fulfilling contracts with customers as an asset to the extent those costs are expected to be recovered. Such costs recognized as an asset as of March 31, 2023 and 2022 were not material.

(21) Other Income and Expenses

The main components of other income and expenses for the years ended March 31, 2023 and 2022 are as follows:

Millions of yen

	2023	2022
Net gain (loss) on sales and disposals of fixed assets	2,285	18,068
Impairment losses	(129,894)	(35,091)
Net gain (loss) on business reorganization and others	297,351	102,135
Special termination benefits	(9,323)	(8,770)

Impairment losses are mainly recognized on property, plant and equipment, goodwill and other intangible assets. Net gain (loss) on business reorganization and others includes gains and losses related to obtaining and losing control of investees and gains and losses related to obtaining and losing significant influence over investees.

Impairment losses for the year ended March 31, 2023 include 52,163 million yen in the Digital Systems & Services segment and 49,707 million yen in the Green Energy & Mobility segment. Details are described in note 9 and note 10.

Restructuring charges (structural reform expenses) included in Other expenses for the years ended March 31, 2023 and 2022 were 139,217 million yen and 43,861 million yen, respectively. Restructuring charges (structural reform expenses) include impairment losses and special termination benefits. In addition, the settlement loss of 51,185 million yen recognized for the year ended March 31, 2023 due to the change to the risk-sharing corporate pension plan introduced by subsidiaries on April 1, 2022, is included in Other expenses for the year ended March 31, 2023. Details of this transaction are described in note 15.

(22) Financial Income and Expenses

The main components of financial income and expenses for the years ended March 31, 2023 and 2022 are as follows:

Millions of yen

	2023	2022
Dividends received	7,878	6,454
Exchange gain (loss)	(11,911)	11,870

Dividends received for the years ended March 31, 2023 and 2022 are from financial assets measured at fair value through other comprehensive income.

(23) Earnings Per Share (EPS) Information

The calculations of basic and diluted EPS attributable to Hitachi, Ltd. stockholders are as follows:

Number of shares

	2023	2022
Weighted average number of shares on which basic EPS is calculated	948,247,986	966,413,255
Effect of dilutive securities		
Stock options	417,340	512,108
Restricted stock	493,790	715,736
Restricted stock units	5,419	37,232
Number of shares on which diluted EPS is calculated	949,164,535	967,678,331

Millions of yen

	2023	2022
Net income attributable to Hitachi, Ltd. stockholders		
Basic	649,124	583,470
Effect of dilutive securities	-	-
Diluted	649,124	583,470

Yen

	2023	2022
EPS attributable to Hitachi, Ltd. stockholders		
Basic	684.55	603.75
Diluted	683.89	602.96

(24) Supplementary Cash Flow Information

(a) Liabilities from financing activities

Changes in liabilities from financing activities for the years ended March 31, 2023 and 2022 are as follows:

Millions of yen

	Short-term debt	Bonds	Long-term borrowings	Lease liability	Total
March 31, 2021	416,635	365,959	1,295,609	319,153	2,397,356
Cash flows	653,244	(10,028)	(136,241)	(114,876)	392,099
Non-cash changes					
Finance lease liability incurred	-	-	-	99,175	99,175
Acquisitions and divestitures	118,554	-	2,344	(704)	120,194
Currency translation effect and others	45,686	1,617	46,113	24,472	117,888
March 31, 2022	1,234,119	357,548	1,207,825	327,220	3,126,712
Cash flows	(277,685)	(108,918)	2,583	(102,398)	(486,418)
Non-cash changes					
Finance lease liability incurred	-	-	-	98,925	98,925
Acquisitions and divestitures	(205,217)	(89,787)	(230,229)	(76,455)	(601,688)
Currency translation effect and others	26,433	1,157	42,815	5,412	75,817
March 31, 2023	777,650	160,000	1,022,994	252,704	2,213,348

(b) Income taxes paid

The cash flows regarding the sale of shares of Hitachi Metals and Hitachi Transport System after deducting the withholding tax on deemed dividend were recognized as Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) in cash flows from investing activities.

Income taxes paid including the withholding tax was 284,265 million yen for the year ended March 31, 2023.

(25) Financial Instruments and Related Disclosures

(a) Capital Management

The Company manages its capital under the policy of maintaining appropriate level of assets, liabilities and capital for current and future business operations, as well as optimizing the efficiency of capital utilization throughout the business operations.

The Company uses the total Hitachi, Ltd. stockholders' equity ratio as an important indicator in capital management and it is regularly monitored. The total Hitachi, Ltd. stockholders' equity ratio as of March 31, 2023 and 2022 were 39.5% and 31.3%, respectively.

The Company is not subject to any capital requirements except for the general rules such as the Japanese Company Law.

(b) Financial Risks

The Company is engaged in business activities world-wide, and constantly exposed to various risks such as market risks (mainly currency exchange risk and interest rate risk), credit risk and liquidity risk. The Company implements risk management policies to avoid or mitigate these financial risks.

(i) Currency Exchange Risk

The Company and its subsidiaries hold assets and liabilities exposed to currency exchange risk. In order to hedge this risk, the management uses forward exchange contracts or cross currency swaps.

For trade receivables and payables denominated in foreign currencies, the Company and its subsidiaries measure the future cash flows per currency on a monthly basis, and enter into forward exchange contracts using a constant ratio with the purpose of fixing the future cash flows arising from receivables and payables and forecasted transactions denominated in foreign currencies. The terms of forward exchange contracts are largely within one year. If necessary, the Company and its subsidiaries establish a risk control policy and a risk management approach specific to each transaction by reviewing the business characteristics, the structure of income and expenditure, and conditions of the contract. The Company and its subsidiaries hedge the risk exposure arising from specific transactions based on the risk control policy and the risk management approach.

To fix cash flows from long-term debt denominated in foreign currencies, the Company and its subsidiaries enter into cross currency swap agreements with the same maturities as the underlying debt. The hedging relationship between the forward exchange contracts or cross currency swaps and the underlying hedged items is highly effective in offsetting the impact from changes in foreign currency exchange rates.

The sensitivity analysis for currency exchange rates shown below indicates the impact on income before income taxes, in the Company's consolidated statement of profit or loss, if the Japanese yen depreciated by 1% on the foreign-currency-denominated financial instruments held by the Company and its subsidiaries as of March 31, 2023 and 2022, while all other variables are held constant.

Millions of yen

	Currency	2023	2022
Impact on income before income taxes	US Dollar	2,447	2,852
	Euro	16	76

(ii) Interest Rate Risk

The Company and its subsidiaries are exposed to interest rate risk related principally to long-term debt obligations. In order to minimize this risk, the Company and its subsidiaries enter into interest rate swap agreements to control fluctuation risk of cash flows. The interest rate swaps entered into are mainly receive-variable, pay-fixed interest rate swaps. Under the interest rate swaps, the Company and its subsidiaries receive variable interest rate payments on long-term debt and make fixed interest rate payments, thereby creating fixed interest rate long-term debt.

Certain financing subsidiaries raise funds by issuing long-term debt with a fixed interest rate and lending it at variable interest rates, creating interest rate risk. In order to minimize this risk, interest rate swaps are used to convert, in effect, the fixed rate to a variable rate to manage fluctuations in fair value resulting from interest rate risk. The hedging relationship between the interest rate swaps and the underlying hedged items is highly effective in offsetting the impact from changes in cash flows and fair value resulting from interest rate risk.

The sensitivity analysis for interest rate shown below indicates the impact on income before income taxes, in the consolidated statement of profit or loss, if interest rates increased by 1% on the financial instruments (floating-interest financial assets and liabilities measured at amortized cost, financial assets and liabilities measured at fair value through profit or loss and derivatives) held by the Company and its subsidiaries as of March 31, 2023 and 2022, while all other variables are held constant.

Millions of yen

	2023	2022
Impact on income before income taxes	(5,662)	(11,722)

(iii) Credit Risk

Trade receivables and contract assets, and other receivables resulting from operating activities of the Company and its subsidiaries are exposed to credit risk of the customers. Investments in debt securities held for managing cash surplus and equity instruments held for strategic purposes are exposed to credit risk of the issuers. Derivative transactions entered into in order to lower market risks are exposed to credit risk of the counter-party financial institutions.

For credit risk of customers, the Company conducts periodic credit checks as appropriate for the products sold and the customers' financial conditions and credit ratings. A credit limit is set according to the credit risk. For cash surplus, investment is restricted to low risk debt securities, and derivative transactions are entered into with financial institutions with high credit rating only.

No significant concentration of credit risk is present in a particular region or a customer, as the Company and its subsidiaries are engaged in diverse industries worldwide.

The changes in the balance of allowance for doubtful receivables for trade receivables, contract assets and other receivables, and the changes in the gross carrying amounts of trade receivables and contract assets, and other receivables corresponding to the allowance for doubtful receivables for the years ended March 31, 2023 and 2022 are as follows. Other receivables mainly consist of lease receivables and financial assets measured at amortized cost such as short-term loans receivable, other accounts receivable, debt securities measured at amortized cost and long-term loans receivable.

Millions of yen

Trade receivables and contract assets	Allowance for doubtful receivables			Gross carrying amount		
	Collective assessment	Individual assessment	Total	Collective assessment	Individual assessment	Total
March 31, 2021	33,233	29,453	62,686	2,713,379	141,804	2,855,183
Change, net	3,476	18,907	22,383	246,931	(49,651)	197,280
Credit-impairment [1]	(1,252)	1,252	-	(8,962)	8,962	-
Write-off [2]	(7,934)	(2,534)	(10,468)	(47,996)	(3,069)	(51,065)
Other [3]	1,437	4,907	6,344	117,741	9,265	127,006
March 31, 2022	28,960	51,985	80,945	3,021,093	107,311	3,128,404
Change, net	5,091	6,930	12,021	321,035	2,716	323,751
Credit-impairment [1]	(350)	350	-	(2,226)	2,226	-
Write-off [2]	(2,182)	(2,274)	(4,456)	(50,896)	(2,520)	(53,416)
Other [3]	(3,219)	(1,450)	(4,669)	(390,525)	(2,733)	(393,258)
March 31, 2023	28,300	55,541	83,841	2,898,481	107,000	3,005,481

Millions of yen

Other receivables	Allowance for doubtful receivables			Gross carrying amount		
	Collective assessment	Individual assessment	Total	Collective assessment	Individual assessment	Total
March 31, 2021	301	4,030	4,331	405,468	35,823	441,291
Change, net	(26)	539	513	56,193	(25,432)	30,761
Credit-impairment [1]	-	-	-	(1,253)	1,253	-
Write-off [2]	(1)	(1)	(2)	(6,980)	(905)	(7,885)
Other [3]	18	165	183	(34,496)	(1,603)	(36,099)
March 31, 2022	292	4,733	5,025	418,932	9,136	428,068
Change, net	77	567	644	38,650	1,462	40,112
Credit-impairment [1]	-	-	-	(137)	137	-
Write-off [2]	(1)	(1,296)	(1,297)	(3,557)	(1,398)	(4,955)
Other [3]	21	(2,592)	(2,571)	(85,440)	(6,970)	(92,410)
March 31, 2023	389	1,412	1,801	368,448	2,367	370,815

[1] The Company measures the allowance for doubtful receivables relating to credit-impaired financial assets based on individual assessment and, therefore, transfers them from collective assessment.

[2] The Company generally writes off and derecognizes the corresponding carrying amount when it has no reasonable expectations of recovering the financial asset in its entirety or a portion.

[3] Other mainly includes the impact of acquisitions and divestitures and currency translation effect.

The maximum exposure to the credit risk equals the financial assets' carrying amount, net of allowance for doubtful receivables, in the consolidated statement of financial position, if collateral held is not included. The maximum exposure to the credit risk from loan commitments is disclosed in note 29. The maximum exposure to the credit risk from guarantee obligations is disclosed in note 29.

(iv) Liquidity Risk

Trade payables and financial liabilities, such as long-term debts, held by the Company and its subsidiaries are exposed to liquidity risk. With respect to this risk, the Company and its subsidiaries try to optimize capital efficiency through efficient management of working capital, and maintain cash control through a centralized cash management system. They are also able to raise funds, as necessary, from capital markets through the issuance of debt and equity securities, and from commercial banks through borrowings and commitment lines. The total unused commitment lines as of March 31, 2023 are disclosed in note 29.

The following tables present the maturities of non-derivative financial liabilities. Trade payables are not included in the tables since the carrying amounts agree with the contractual cash flows and they all mature in less than one year.

Millions of yen

	March 31, 2023				
	Carrying amount	Contractual cash flows	Within 1 year	After 1 year but not more than 5 years	More than 5 years
Short-term debt	777,650	778,586	778,586	-	-
Long-term debt					
Lease liabilities	252,704	265,017	80,785	149,329	34,903
Bonds	160,000	163,843	30,811	22,236	110,796
Long-term borrowings	1,022,994	1,063,672	45,657	940,611	77,404

Millions of yen

	March 31, 2022				
	Carrying amount	Contractual cash flows	Within 1 year	After 1 year but not more than 5 years	More than 5 years
Short-term debt	1,234,119	1,236,688	1,236,688	-	-
Long-term debt					
Lease liabilities	327,220	346,010	93,799	177,561	74,650
Bonds	357,548	363,858	119,021	123,449	121,388
Long-term borrowings	1,207,825	1,224,628	134,319	1,060,944	29,365
Other non-current liabilities					
Put options of non-controlling interests	268,851	274,701	-	274,701	-

The weighted average interest rate for short-term debt is 3.6%, and the weighted average interest rate for long-term borrowings is 1.3% with maturities ranging from 2023 to 2039.

The details on each bond issued are provided below.

Millions of yen

Issuer	Name of bond	Issued	March 31, 2023	March 31, 2022	Security	Interest rates (%)	Mature in
The Company	Unsecured debenture #16	2013	30,000	30,000	Unsecured	0.8	2023
The Company	Unsecured debenture #17	2013	20,000	20,000	Unsecured	1.4	2028
The Company	Unsecured debenture #18	2020	-	90,000	Unsecured	0.1	-
The Company	Unsecured debenture #19	2020	20,000	20,000	Unsecured	0.2	2027
The Company	Unsecured debenture #20	2020	90,000	90,000	Unsecured	0.3	2030
Subsidiaries	Unsecured debentures	2017 - 2021	-	107,548	-	-	-
Total			160,000	357,548			

The following table shows the maturities of the main types of derivatives, expressed in gross amounts, even though they are net settlement derivatives.

Millions of yen

		March 31, 2023			
		Within 1 year	After 1 year but not more than 5 years	More than 5 years	Total
Forward exchange contracts	In	21,367	4,806	-	26,173
	Out	24,765	13,775	-	38,540
Cross currency swaps	In	6,031	24,531	-	30,562
	Out	9,251	495	-	9,746
Interest rate swaps	In	128	19,702	-	19,830
	Out	8	-	-	8

Millions of yen

		March 31, 2022			
		Within 1 year	After 1 year but not more than 5 years	More than 5 years	Total
Forward exchange contracts	In	4,670	1,684	-	6,354
	Out	19,491	847	-	20,338
Cross currency swaps	In	408	19,916	-	20,324
	Out	783	3,224	-	4,007
Interest rate swaps	In	564	13,772	-	14,336
	Out	79	18	-	97

(c) Fair Value of Financial Instruments

(i) Fair Value Measurements

The following methods and assumptions are used to measure the fair value of financial assets and liabilities.

Cash and cash equivalents, Trade receivables, Short-term loans receivable, Other accounts receivable, Short-term debt, Other accounts payable and Trade payables

The carrying amount approximates the fair value because of the short maturity of these instruments.

Investments in securities and other financial assets

The fair value of lease receivables is based on the present value of lease payments receivable calculated for each group of years to maturity using discount rates that reflect the time to maturity and credit risk.

Investment securities with quoted market prices are estimated using the quoted share prices. In the absence of an active market for investment securities, quoted prices for similar investment securities, quoted prices associated with transactions that are not distressed for identical or similar investment securities or other relevant information including market interest rate curves, referenced credit spreads or default rates, are used to determine fair value. If significant inputs of fair value measurement are unobservable, the Company uses price information provided by financial institutions to evaluate such investments. The information provided is corroborated by the income approach using its own valuation model, or the market approach using comparisons with prices of similar securities.

The fair value of long-term loans receivable is estimated based on the present value of future cash flows using the interest rate applicable to an additional loan of the same type.

Derivative assets are measured at fair value based on quoted prices associated with transactions that are not distressed, prices in inactive markets, or based on models using interest rate curves and forward and spot prices for currencies and commodities. If significant inputs are unobservable, the Company mainly uses the income approach or the market approach to corroborate relevant information provided by financial institutions and other available information.

Long-term debt

The fair value of long-term debt is estimated based on quoted market prices or the present value of future cash flows using the market interest rates applicable to the same contractual terms.

Other financial liabilities

Derivative liabilities are measured at fair value based on quoted prices associated with transactions that are not distressed, prices in inactive markets, or based on models using interest rate curves and forward and spot prices for currencies and commodities. If significant inputs are unobservable, the Company uses mainly the income approach or the market approach to corroborate relevant information provided by financial institutions and other available information.

(ii) Financial Instruments Measured at Amortized Cost

The carrying amounts and estimated fair values of the financial instruments measured at amortized cost as of March 31, 2023 and 2022 are as follows.

The fair value estimated for financial assets and liabilities measured at amortized cost is classified in Level 2 of the fair value hierarchy.

Millions of yen

	March 31, 2023		March 31, 2022	
	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values
Assets				
Investments in securities and other financial assets				
Lease receivables	22,858	22,858	70,227	71,648
Debt securities	46,729	46,729	55,057	55,058
Long-term loans receivable	385	385	1,650	1,650
Liabilities				
Long-term debt [1]				
Bonds	160,000	159,250	357,548	357,468
Long-term borrowings	1,022,994	1,022,130	1,207,825	1,207,727

[1] Long-term debt is included in Current portion of long-term debt and Long-term debt in the consolidated statement of financial position.

(iii) Financial Instruments Measured at Fair Value

Financial instruments measured at fair value on a recurring basis after the initial recognition are classified into three levels of the fair value hierarchy based on the measurement inputs' observability as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets
Level 2: Valuations measured by direct or indirect observable inputs other than Level 1
Level 3: Valuations measured by significant unobservable inputs

When several inputs are used for a fair value measurement, the level is determined based on the input that is significant with the lowest level in the fair value measurement as a whole.

Transfers between levels are deemed at the beginning of each quarter period.

The following tables present the assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2023 and 2022.

March 31, 2023 Millions of yen

Class of financial instruments	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss:				
Investments in securities and other financial assets				
Equity securities	335	-	28,352	28,687
Debt securities	8,684	4,145	4,959	17,788
Derivatives	-	78,327	-	78,327
Financial assets measured at fair value through other comprehensive income:				
Investments in securities and other financial assets				
Equity securities	234,175	-	104,445	338,620
Total financial assets at fair value	243,194	82,472	137,756	463,422
Financial liabilities measured at fair value through profit or loss:				
Other financial liabilities				
Derivatives	-	49,385	-	49,385
Total financial liabilities at fair value	-	49,385	-	49,385

March 31, 2022 Millions of yen

Class of financial instruments	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss:				
Investments in securities and other financial assets				
Equity securities	1,364	-	17,591	18,955
Debt securities	9,521	4,692	5,686	19,899
Derivatives	-	63,596	-	63,596
Financial assets measured at fair value through other comprehensive income:				
Investments in securities and other financial assets				
Equity securities	282,025	2,144	106,041	390,210
Total financial assets at fair value	292,910	70,432	129,318	492,660
Financial liabilities measured at fair value through profit or loss:				
Other financial liabilities				
Derivatives	-	47,145	-	47,145
Total financial liabilities at fair value	-	47,145	-	47,145

The following tables present the changes in Level 3 instruments measured on a recurring basis for the years ended March 31, 2023 and 2022.

2023 Millions of yen

Level 3 financial assets	Equity securities	Debt securities	Derivatives	Total
Balance at beginning of year	123,632	5,686	-	129,318
Gain in profit or loss [1]	777	96	-	873
Loss in OCI [2]	(1,213)	-	-	(1,213)
Purchases	33,762	529	-	34,291
Sales and redemption	(13,513)	(521)	-	(14,034)
Acquisitions and divestitures	(13,964)	(846)	-	(14,810)
Other	3,316	15	-	3,331
Balance at end of year	132,797	4,959	-	137,756
Unrealized gain relating to financial assets held at end of year [4]	766	96	-	862

2022 Millions of yen

Level 3 financial assets	Equity securities	Debt securities	Derivatives	Total
Balance at beginning of year	120,718	6,054	87	126,859
Gain (loss) in profit or loss [1]	3,830	279	(87)	4,022
Loss in OCI [2]	(1,342)	-	-	(1,342)
Purchases	9,010	567	-	9,577
Sales and redemption	(7,721)	(993)	-	(8,714)
Acquisitions and divestitures	(25)	(239)	-	(264)
Transfer from Level 3 [3]	(1,278)	-	-	(1,278)
Other	440	18	-	458
Balance at end of year	123,632	5,686	-	129,318
Unrealized gain relating to financial assets held at end of year [4]	3,780	294	-	3,987

[1] Gain (loss) in profit or loss related to Financial assets measured at fair value through profit or loss is included in Financial income and Financial expenses in the consolidated statement of profit or loss.

[2] Loss in OCI related to Financial assets measured at fair value through other comprehensive income is included in Net changes in financial assets measured at fair value through OCI in the consolidated statement of comprehensive income.

[3] Transfer from Level 3 is mainly due to an investee becoming listed on the stock market.

[4] Unrealized gain relating to Financial assets measured at fair value through profit or loss held at the end of year is included in Financial income in the consolidated statement of profit or loss.

Fair values are measured by the finance departments in accordance with the Company’s policies and procedures. Valuation models are determined so that they reflect each financial instrument’s nature, characteristics and risks most appropriately. The finance departments continually examine changes in important inputs that could affect the fair value. In case the fair value of a financial instrument was significantly impaired, administrators review and approve the impairment loss.

(iv) Other

The Company and its subsidiaries recognize put options on shares of subsidiaries held by non-controlling interests as financial liabilities at the present value of the exercise price. The Company derecognizes the non-controlling interests and recognizes the difference between the present value and non-controlling interests in capital surplus.

Put options on non-controlling interests of the Company and its subsidiaries are measured at the present value of the exercise price. The carrying amount of the put options above as of March 31, 2022 was 268,851 million yen included in Other non-current liabilities in the consolidated statement of financial position.

Equity instruments held with the objective of maintaining and strengthening business relations with the issuers are classified as Financial assets measured at fair value through other comprehensive income. The following is a list of principal equity instruments designated as fair value through other comprehensive income and their fair values.

March 31, 2023 Millions of yen

Principal Financial assets measured at fair value through other comprehensive income	Fair value
Renesas Electronics Corporation	118,619
Mitsubishi HC Capital Inc.	39,459
JECC Corporation	22,298
Western Digital Corporation	15,556
Central Japan Railway Company	14,229
Nippon Steel Kowa Real Estate Co., Ltd.	9,810
Honda Motor Co., Ltd.	7,020
Nippon Tochi-Tatemono Co., Ltd.	5,438
Invivoscribe, Inc.	5,341
Daiichi Sankyo Co., Ltd.	4,340

March 31, 2022 Millions of yen

Principal Financial assets measured at fair value through other comprehensive income	Fair value
Mitsubishi HC Capital Inc.	95,577
Renesas Electronics Corporation	88,770
JECC Corporation	21,591
Western Digital Corporation	18,990
Central Japan Railway Company	14,369
Shin-Etsu Chemical Co., Ltd.	12,405
Nippon Steel Kowa Real Estate Co., Ltd.	11,749
Honda Motor Co., Ltd.	6,974
Nippon Tochi-Tatemono Co., Ltd.	5,241
Dalian Hi-Think Computer Technology Corporation	3,849

See note 22 for dividends received from investment securities classified as Financial assets measured at fair value through other comprehensive income.

Accumulated gains and losses on valuation of Financial assets measured at fair value through other comprehensive income are reclassified into retained earnings when derecognized during the fiscal year. The net gains reclassified, net of taxes, for the years ended March 31, 2023 and 2022 were 16,967 million yen and 13,880 million yen, respectively. These financial assets were derecognized upon disposal of shares after reviewing particular business relations, or acquisitions and divestitures.

The information on Financial assets measured at fair value through other comprehensive income that were derecognized for the years ended March 31, 2023 and 2022 is as follows:

Millions of yen

	2023	2022
Fair value at the time of derecognition	111,441	80,722
Accumulated gains at the time of derecognition	23,754	22,339

(d) Derivatives and Hedging Activities

(i) Fair Value Hedge

Changes in the fair value of recognized assets and liabilities, and of derivatives designated as a fair value hedge of these assets and liabilities are recognized in profit or loss for the period in which the changes occur. Derivatives designated as a fair value hedge include forward exchange contracts associated with operating transactions, cross currency swaps agreements and interest rate swaps associated with financing transactions.

(ii) Cash Flow Hedge

Foreign Currency Risk

A portion determined as an effective hedge with respect to changes in the fair value of forward exchange contracts designated as an effective cash flow hedge of forecasted foreign-currency-denominated transactions are recognized in OCI. AOCI is subsequently reclassified into profit or loss when the hedged items affect profit or loss for the period. If a non-financial asset or a non-financial liability is recognized due to a hedged forecast transaction, the changes in the fair value of the derivative recognized in OCI are included directly in the acquisition cost or other carrying amount of the asset or liability at which point the asset or liability is recognized.

Interest Rate Risk

A portion determined as an effective hedge with respect to changes in the fair value of interest rate swaps designated as a hedge of the variability of cash flows associated with long-term debt are recognized in OCI. AOCI is subsequently reclassified to interest charges over the period in which the interest on the debt affects profit or loss.

When applying hedge accounting, the Company assesses hedge effectiveness through a qualitative assessment of whether the critical terms of the hedged item and the hedging instrument match or are closely aligned and whether changes in the fair value or cash flows of the hedging instrument offset changes in the fair value or cash flows of the hedged item in order to confirm that an economic relationship exists between the hedged item and the hedging instrument. The Company also sets appropriate hedge ratios based on the economic relationship between the hedged item and the hedging instrument and the Company’s risk management policies. For the years ended March 31, 2023 and 2022, hedge ineffectiveness recognized in profit or loss were not material.

The notional amounts and carrying amounts of hedging instruments as of March 31, 2023 and 2022 are as follows. The carrying amount of hedging instruments is included in Investments in securities and other financial assets and Other financial liabilities or Other non-current liabilities in the consolidated statement of financial position.

March 31, 2023 Millions of yen

Hedging instruments	Notional amount		Carrying amount	
		More than 1 year	Assets	Liabilities
Fair value hedge				
Foreign currency risk	196,388	76,303	25,192	553
Interest rate risk	41,120	27,767	1,048	-
Cash flow hedge				
Foreign currency risk	234,313	31,136	8,375	5,561
Interest rate risk	173,589	173,589	18,765	-
Total	645,410	308,795	53,380	6,114

March 31, 2022 Millions of yen

Hedging instruments	Notional amount		Carrying amount	
		More than 1 year	Assets	Liabilities
Fair value hedge				
Foreign currency risk	363,354	75,154	17,670	12,552
Interest rate risk	93,271	38,071	1,137	70
Cash flow hedge				
Foreign currency risk	313,575	163,392	4,538	6,990
Interest rate risk	179,107	159,107	13,199	10
Total	949,307	435,724	36,544	19,622

The carrying amounts of hedged items related to fair value hedges as of March 31, 2023 and 2022 are as follows.

March 31, 2023 Millions of yen

Hedged items related to fair value hedges	Recognized in statement of financial position	Carrying amount	
		Assets	Liabilities
Foreign currency risk	Trade receivables and contract assets, Investments in securities and other financial assets, Trade payables and Long-term debt	58,872	137,516
Interest rate risk	Investments in securities and other financial assets	41,120	-
Total		99,992	137,516

March 31, 2022 Millions of yen

Hedged items related to fair value hedges	Recognized in statement of financial position	Carrying amount	
		Assets	Liabilities
Foreign currency risk	Trade receivables and contract assets, Investments in securities and other financial assets, Short-term debt, Trade payables and Long-term debt	231,838	131,516
Interest rate risk	Investments in securities and other financial assets, Current portion of long-term debt	75,524	17,747
Total		307,362	149,263

For the years ended March 31, 2023 and 2022, changes in the fair value of hedging instruments and hedged items related to fair value hedges and the accumulated amount of fair value hedge adjustments on hedged items included in the carrying amount of the hedged items were not material.

For the years ended March 31, 2023 and 2022, changes in the fair value of hedging instruments related to cash flow hedges recorded in Accumulated other comprehensive income are as follows.

Millions of yen

	April 1, 2022	Changes in fair value of hedging instruments recognized in other comprehensive income	Amount directly included in carrying amount of hedged assets or liabilities	Amount reclassified to profit or loss [1]	March 31, 2023
Foreign currency risk	(7,939)	(10,150)	(1,322)	15,729	(3,682)
Interest rate risk	13,180	5,566	-	19	18,765
Total	5,241	(4,584)	(1,322)	15,748	15,083

Millions of yen

	April 1, 2021	Changes in fair value of hedging instruments recognized in other comprehensive income	Amount directly included in carrying amount of hedged assets or liabilities	Amount reclassified to profit or loss [1]	March 31, 2022
Foreign currency risk	(2,209)	3,679	(9,312)	(97)	(7,939)
Interest rate risk	3,336	9,747	-	97	13,180
Total	1,127	13,426	(9,312)	0	5,241

[1] In the consolidated statement of profit or loss, the amount reclassified to profit or loss is included mainly in Revenues and Financial expenses for hedges of foreign currency risk and mainly in Interest charges for hedges of interest rate risk.

(e) Securitization of Financial Assets

For the purpose of providing diversified and stable financing, the Company and certain subsidiaries securitize certain financial assets, and transfer trade and lease receivables through certain third-party financial institutions or structured entities formed by these financial institutions. The Company does not consolidate such structured entities used for securitization purposes since it has been determined that they are not controlled by the Company.

These unconsolidated structured entities used for securitization purposes are operated in the ordinary course of business of the financial institutions, and they procure funds by issuing commercial paper and other borrowings. Basically, investors in these structured entities only have recourse to the assets owned by the entity itself, but not to any other assets held by the Company or its subsidiaries. The amount of assets transferred by the Company and certain subsidiaries is considerably small compared to the total assets of the structured entities sponsored by the financial institutions that purchase a large amount of assets from entities other than the Company and certain subsidiaries. The Company and certain subsidiaries have only limited exposure to the risks borne by these structured entities. The majority of the involvement with these structured entities used for securitization purposes by the Company and certain subsidiaries concerns the servicing of assets. The Company and certain subsidiaries do not provide any non-contractual support to the structured entities and have not made any implicit support arrangements with them.

For the securitizations of financial assets by the Company and certain subsidiaries, which resulted in derecognizing the financial assets in their entirety, the Company and certain subsidiaries retain no significant continuing involvement. For other securitizations of financial assets, the Company and certain subsidiaries do not derecognize the financial assets in their entirety when they retain substantially all credit risks and economic value related to the transferred financial assets through holding subordinated interests, and the carrying amounts of these financial assets are not material.

(26) Pledged Assets

As a general contractual term for long-term and short-term debt, banks may demand collateral and guarantees for present and future obligations, and retain rights to offset the liabilities with bank deposits when repayment is overdue or any breach of contract occurs.

Per trustee agreements of secured bonds and particular secured or unsecured loan agreements, trustees or lenders generally have the right to pre-approve profit distributions including dividend payments and new stock issues, as well as the right to demand additional collateral or mortgage.

The Company and its subsidiaries pledged a portion of their assets as collateral primarily for bank loans as follows:

Millions of yen

	March 31, 2023	March 31, 2022
Trade receivables and contract assets	349	7,205
Inventories	-	12,529
Investments in securities and other financial assets	319	327
Land	2,002	1,951
Buildings and structures	2	5
Machinery and other property, plant and equipment	-	62,717
Total	2,672	84,734

(27) Principal Subsidiaries

The Company's consolidated financial statements include the following subsidiaries listed below.

Reporting segment	Name of subsidiary	Business location	Ownership percentage of voting rights (%)
Digital Systems & Services	Hitachi Information & Telecommunication Engineering, Ltd.	Yokohama, Kanagawa	100.0
Digital Systems & Services	Hitachi Channel Solutions, Corp.	Shinagawa-ku, Tokyo	100.0
Digital Systems & Services	Hitachi Solutions, Ltd.	Shinagawa-ku, Tokyo	100.0
Digital Systems & Services	Hitachi Systems, Ltd.	Shinagawa-ku, Tokyo	100.0
Digital Systems & Services	GlobalLogic Worldwide Holdings, Inc.	California, U.S.A.	100.0
Digital Systems & Services	Hitachi Computer Products (America), Inc.	Oklahoma, U.S.A.	100.0
Digital Systems & Services	Hitachi Digital LLC	California, U.S.A.	100.0
Digital Systems & Services	Hitachi Payment Services Private Limited	Chennai, India	100.0
Digital Systems & Services	Hitachi Vantara LLC	California, U.S.A.	100.0
Green Energy & Mobility	Hitachi-GE Nuclear Energy, Ltd.	Hitachi, Ibaraki	80.0
Green Energy & Mobility	Hitachi Plant Construction, Ltd.	Toshima-ku, Tokyo	100.0
Green Energy & Mobility	Hitachi Power Semiconductor Device, Ltd.	Hitachi, Ibaraki	100.0
Green Energy & Mobility	Hitachi Power Solutions Co., Ltd.	Hitachi, Ibaraki	100.0
Green Energy & Mobility	Hitachi Energy Ltd	Zurich, Switzerland	100.0
Green Energy & Mobility	Hitachi Rail Ltd.	London, U.K.	100.0
Connective Industries	Hitachi Building Systems Co., Ltd.	Chiyoda-ku, Tokyo	100.0
Connective Industries	Hitachi Global Life Solutions, Inc.	Minato-ku, Tokyo	100.0
Connective Industries	Hitachi High-Tech Corporation	Minato-ku, Tokyo	100.0
Connective Industries	Hitachi Industrial Equipment Systems Co., Ltd.	Chiyoda-ku, Tokyo	100.0
Connective Industries	Hitachi Industrial Products, Ltd.	Chiyoda-ku, Tokyo	100.0
Connective Industries	Hitachi Industry & Control Solutions, Ltd.	Taito-ku, Tokyo	100.0

Reporting segment	Name of subsidiary	Business location	Ownership percentage of voting rights (%)
Connective Industries	Hitachi Plant Services Co., Ltd.	Toshima-ku, Tokyo	100.0
Connective Industries	Hitachi Elevator (China) Co., Ltd.	Guangzhou, China	70.0
Connective Industries	Hitachi Industrial Holdings Americas, Inc.	Illinois, U.S.A.	100.0
Connective Industries	JR Technology Group, LLC	Michigan, U.S.A.	100.0
Connective Industries	Sullair, LLC	Indiana, U.S.A.	100.0
Automotive Systems	Hitachi Astemo, Ltd.	Hitachinaka, Ibaraki	66.6
Automotive Systems	Hitachi Astemo Americas, Inc.	Kentucky, U.S.A.	100.0
Others	Hitachi-LG Data Storage, Inc.	Minato-ku, Tokyo	51.0
Others	Hitachi Real Estate Partners, Ltd.	Chiyoda-ku, Tokyo	100.0
Others	Hitachi America, Ltd.	California, U.S.A.	100.0
Others	Hitachi Asia Ltd.	Singapore	100.0
Others	Hitachi (China), Ltd.	Beijing, China	100.0
Others	Hitachi Europe Ltd.	Stoke Poges, U.K.	100.0
Others	Hitachi India Pvt. Ltd.	New Delhi, India	100.0
-	Other 661 companies	-	-

(28) Related Party Transactions

(a) Related Party Transactions

The Company's and its subsidiaries' receivable and payable balances with associates and joint ventures are as follows:

Millions of yen

With associates	March 31, 2023	March 31, 2022
Trade receivables and contract assets	39,762	42,146
Trade payables	40,398	49,997
Contract liabilities	20,078	588

Millions of yen

With joint ventures	March 31, 2023	March 31, 2022
Trade receivables and contract assets	59,742	35,160

Revenue and purchase transactions of the Company and its subsidiaries with associates and joint ventures are as follows:

Millions of yen

With associates	2023	2022
Revenues	164,164	232,811
Purchases	270,287	267,364

Millions of yen

With joint ventures	2023	2022
Revenues	76,980	56,969
Purchases	9,534	9,035

(b) Compensation for Directors and Executive Officers of the Company

Millions of yen

	2023	2022
Basic remuneration, year-end allowance and performance-linked compensation	3,687	3,221
Medium and long-term incentive compensation (Stock options as stock-based compensation, etc.)	1,279	1,195
Total	4,967	4,417

(29) Commitments and Contingencies

(a) Loan Commitments

(i) Loan Commitments to Associates and Others

The Company provides loan commitments to associates and others. The outstanding balance of loan commitments as of March 31, 2023 is as follows:

Millions of yen

	March 31, 2023
Total commitments available	130
Less amount utilized	-
Balance available	130

Since some loan commitments require credit approval before execution, the amount of total commitments available may not be necessarily utilized in full.

(ii) Commitments with Financial Institutions

The Company and certain subsidiaries have line of credit arrangements with banks in order to secure efficient financing for business operations. The total unused line of credit as of March 31, 2023 amounted to 513,012 million yen, primarily belonging to the Company. The Company has commitment line agreements with a number of banks and pays commitment fees as consideration. These commitment agreements generally provide a one year term with renewal at the end of the term. The unused line of credit under these arrangements as of March 31, 2023 amounted to 305,000 million yen. The Company also maintains other commitment line agreements with several financial institutions, with terms of three years ending in July 2025. The unused line of credit under these arrangements as of March 31, 2023 amounted to 200,000 million yen.

(b) Commitments for Acquisition of Assets

As of March 31, 2023, outstanding commitments made to purchase property, plant and equipment were 57,578 million yen.

(c) Guarantee Obligations

The Company and certain subsidiaries provide debt guarantees to third parties. As of March 31, 2023, the balance of the guarantee obligations was 11,337 million yen.

(d) Litigation

In November 2017, a subsidiary in Japan received a complaint that was filed against three companies, namely a construction company of a condominium complex, the subsidiary and a secondary subcontractor, by a contractee in Japan seeking approximately 45.9 billion yen in compensation for expenses allegedly incurred arising from concerns over partial deficiencies of piling work during the construction phases of the condominium complex, which the subsidiary contracted as the primary subcontractor. The compensation claim against these three companies was amended to approximately 51.0 billion yen in July 2018 and to approximately 50.5 billion yen in September 2022 by the contractee.

In relation to the aforementioned lawsuit, in April 2018, the subsidiary in Japan received a complaint that was filed against the subsidiary and the secondary subcontractor, by the construction company of the condominium complex seeking approximately 49.6 billion yen in compensation for expenses allegedly incurred arising from the aforementioned lawsuit. In July 2018, the compensation claim against these two companies was amended to approximately 54.8 billion yen by the construction company of the condominium complex. Although the subsidiary in Japan will address these claims and explain its position, there can be no assurance that it will not be held liable for any amounts claimed.

In December 2017, a subsidiary in Europe received a complaint filed by a customer in Europe seeking compensation for consequential losses of 263 million euro (38,331 million yen) and interest allegedly incurred by performance defects of a power plant. As of March 31, 2023, the amount of compensation claimed by the customer was changed to 270 million euro (39,349 million yen). Although the subsidiary in Europe will vigorously defend itself against this lawsuit, there can be no assurance that it will not be held liable for any amounts claimed.

The Company and its subsidiaries execute a number of business reorganizations, including mergers, acquisitions and divestitures. Contracts for these reorganizations include clauses for transaction price adjustments subsequent to the reorganizations. There is a possibility products or services provided by the Company and its subsidiaries contain defects. As the result of price adjustments, or in compensation for defects in products or services etc. there is a possibility that the Company pays for any amounts.

Depending upon the outcome of the above legal proceedings, there may be an adverse effect on the consolidated financial position or results of operations. Currently, the Company is unable to estimate the adverse effect, if any, of many of these proceedings. The actual amount of fines, surcharge payments or any other payments resulting from these legal proceedings may be different from the accrued amounts.

In addition to the above, the Company and its subsidiaries are subject to legal proceedings and claims which have arisen in the ordinary course of business and have not been finally adjudicated. These actions when ultimately concluded and determined will not, in the opinion of management, have a material adverse effect on the consolidated financial statements of the Company and subsidiaries.

(30) Subsequent Events

(a) Repurchase of Shares of Common Stock

The Board of Directors decided to repurchase shares of the Company's own common stock pursuant to Article 459, Paragraph 1 of the Companies Act of Japan and Article 32 of the Company's Articles of Incorporation, as follows.

(i) Reason for repurchase

The Company views the return of profits to shareholders through enhancing corporate value from mid- and long-term perspective and paying dividends continuously as an important managerial issue. The Company has decided to repurchase its own shares this time, taking into consideration its financial condition and the price of its common stock as well as the progress of the review of the business portfolio.

(ii) Outline of the Repurchase

1) Class of shares to be repurchased
   Common stock of the Company
2) Aggregate number of shares to be repurchased
   Up to 20 million shares
   (2.13% of the number of outstanding shares (excluding treasury stocks))
3) Aggregate amount of repurchase
   Up to 100 billion yen
4) Period of the repurchase
   From April 28, 2023 to March 31, 2024
5) Method of repurchase
   Expected open market purchase through the Tokyo Stock Exchange

(31) Approval of Consolidated Financial Statements

The consolidated financial statements were approved on June 21, 2023 by Keiji Kojima, President and CEO of the Company.

Independent Auditor's Report

To the Stockholders and Board of Directors of
Hitachi, Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Hitachi, Ltd. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of recoverable amount of group of cash-generating units containing goodwill related to the power grids business

Description of Key Audit Matter

Hitachi, Ltd. (the Company) recognized goodwill in the amount of 524,951 million yen related to the power grids business (See Note (10) Goodwill and Other Intangible Assets). Such goodwill represents 24% of total goodwill and 4% of total assets of the Group. In the second quarter of the year ended March 31, 2023, the Company recorded an impairment loss in the amount of 38,394 million yen on the related goodwill due to an increase in the discount rate used following the significant rise in interest rates, etc. (See Note (10) Goodwill and Other Intangible Assets). In addition, in the fourth quarter of the year ended March 31, 2023, the Company performed an annual impairment test on the group of cash-generating units containing the goodwill.

The Company measured the recoverable amount based on value in use in the two impairment tests of the group of cash-generating units containing the goodwill. Value in use is determined using discounted future cash flows and is affected by estimates of future cash flows and the discount rate. Future cash flows are estimated based on the five-year business plan and the growth rate beyond the period covered by the business plan is taken into consideration. Key assumptions used for the business plan are revenue growth rates and gross profit ratios. The following growth rates beyond the period covered by the business plan and discount rates were used by the Company.

	Second quarter of the year ended March 31, 2023	Fourth quarter of the year ended March 31, 2023
Growth rates beyond the period covered by the business plan	2.8%	2.9%
Discount rates (before taxes)	13.2%	13.2%

In the year ended March 31, 2023, orders received in the power grids business increased due to the expansion of environment-related investments in the market. On the other hand, there were changes in the business environment such as increases in material prices. Management judgements on the feasibility of measures such as revising sales prices to address the changes in the business environment are required to estimate the revenue growth rates and gross profit ratios. In addition, the growth rate beyond the period covered by the business plan is determined based on the long-term inflation rate forecast released by an external research institution and considering the effect of the interest rate incorporated in the discount rate at the time of the impairment test. Management judgements on the effect of the interest rate are necessary to estimate the growth rate beyond the period covered by the business plan and the discount rate.
We determined that the measurement of the recoverable amount is a key audit matter because of the significance of the balance of goodwill and the significant impact on the consolidated financial statements from the management judgements related to the key assumptions.

Auditor's Response
We primarily performed the following procedures regarding the measurement of each recoverable amount of the group of cash-generating units containing the goodwill.
・We obtained an understanding of the business plan by examining related business planning materials.
・We assessed the effectiveness of the business planning process by comparing the business plan from the prior fiscal year with the corresponding operating results and the business plan at the time of the impairment test.
・We involved valuation specialists from a network firm in assessing the valuation method of value in use, the growth rate beyond the period covered by the business plan and the discount rate.
・We made inquiries of management about status of orders and measures to achieve the business plan such as revising selling prices to address the changes in the business environment such as increases in material prices and compared revenue growth rates and gross profit ratios with actual operating results and available external data such as market research reports related to market growth rates.
・We analyzed the trend of the interest rate and assessed the level of growth rate beyond the period covered by the business plan.
・We made inquiries of management about the risks reflected in the discount rate and assessed their consistency with the risks reflected in future cash flows.
・We performed sensitivity analyses assuming reasonably possible changes in key assumptions, assessing the effect on the recoverable amount.

Estimation of total cost of long-term projects

Description of Key Audit Matter
The Group has long-term projects involving the manufacture and provision of goods in accordance with customer specifications that are completed over specified periods of time to customers in a broad range of business areas across the world.
The Group recognizes revenues from long-term projects in the amount of 1,805,588 million yen by measuring the progress of the project mostly based on the cost incurred relative to the estimated total cost to satisfy the performance obligations (See Note (20) Revenues, (a) Disaggregation of revenue, (b) Information about satisfaction of performance obligations). Furthermore, the Group recognizes provisions for expected losses on construction contracts in the amount of 94,952 million yen based on the estimated amount of losses associated with fulfilling the project requirements (See Note (14) Provisions).
Estimations of total cost of long-term projects affect the corresponding amounts of revenues and provisions. Each of the Group's long-term projects is distinct in terms of customer requirements, such as detailed specifications and scheduling, and therefore estimations of total cost depend on management judgement. Estimations of total cost are particularly complex in relation to large-scale projects.

We determined that the estimation of total cost of long-term projects is a key audit matter because auditing estimations of total cost of long-term projects requires consideration of various factors affecting such estimations corresponding to each project as a result of the nature of the Group's long-term projects.

Auditor's Response

We obtained an understanding of the project management systems utilized by the Group as well as its processes for estimating total cost, and tested the relevant internal controls, including the approval of initial and revised operating budgets that serve as the basis of estimating total cost.

We selected samples of long-term projects, such as those projects whose total contract value exceeded certain materiality thresholds and projects subject to various qualitative risks, including delays in the progress of the project, and, on a quarterly basis, performed selected procedures from the following considering the status of each project:

・We obtained an understanding of the significant factors influencing the estimates related to customer specifications on goods and the timing of delivery and the effects of estimation uncertainty inherent in those significant factors influencing the estimates by examining contracts and project management materials and making inquiries of management and compared specific line items in the estimated total cost with corresponding quotations from suppliers.
・We assessed the management's judgements on the necessity of revising estimates of total cost considering the status of each project based on inquiries of management and by examining project management materials.
・We assessed the effectiveness of the processes for estimating total cost by comparing initial and previous period estimates with the actual total cost for completed projects and previous period estimates with the latest estimates for projects in progress.
・We additionally made separate inquiries to project managers for projects that were considered particularly significant to corroborate management explanations of their status.

Other Information

The other information comprises the information included in the annual report (Yukashoken Hokokusho) that contains audited consolidated financial statements but does not include the consolidated financial statements, financial statements and our audit report thereon. Management is responsible for preparation and disclosure of the other information. The Audit Committee is responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by IFRSs, matters related to going concern.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

・ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

・ Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.

・ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

・ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

・ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRSs.

・ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Tokyo, Japan
June 21, 2023

/s/ Koji Fujima
Designated Engagement Partner
Certified Public Accountant

/s/ Yasuhiro Ozeki
Designated Engagement Partner
Certified Public Accountant

/s/ Shinya Yoshida
Designated Engagement Partner
Certified Public Accountant

(Translation)

Following is an English translation of the Internal Control Report filed under the Financial Instruments and Exchange Act of Japan. We have made the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

[Cover]

[Document Filed]	Internal Control Report
[Applicable Law]	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed with]	Director, Kanto Local Finance Bureau
[Filing Date]	June 21, 2023
[Company Name]	Kabushiki Kaisha Hitachi Seisakusho
[Company Name in English]	Hitachi, Ltd.
[Name and title of Representative]	Keiji Kojima, President & CEO
[Name and title of CFO]	Yoshihiko Kawamura, Executive Vice President and Executive Officer
[Address of Head Office]	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya)

1. Matters Related to Basic Framework of Internal Control over Financial Reporting

Mr. Keiji Kojima, President & CEO, and Mr. Yoshihiko Kawamura, Executive Vice President and Executive Officer, are responsible for establishing and maintaining internal control over financial reporting of Hitachi, Ltd. (the "Company") and have established and maintained internal control over financial reporting in accordance with the basic framework for internal control set forth in the "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by the Business Accounting Council.

The internal control over financial reporting is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that internal control over financial reporting may not completely prevent or detect misstatements.

2. Matters Related to Scope of Assessment, Record Date, and Assessment Procedure

We assessed the effectiveness of our internal control over financial reporting on the record date as of March 31, 2023. We made this assessment in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In making this assessment, we evaluated internal control which may have a material effect on the entire financial reporting on a consolidated basis ("company-level controls") and based on the result of this assessment, we appropriately selected business processes to be evaluated, analyzed these selected business processes, identified key controls that may have a material impact on the reliability of our financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of our internal controls.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries, equity-method associates and joint ventures, from the perspective of the materiality that may affect the reliability of our financial reporting. The materiality that may affect the reliability of our financial reporting is determined taking into account the materiality of quantitative and qualitative impacts. We confirmed that we had reasonably determined the scope of assessment of internal controls over business processes in light of the results of assessment of company-level controls conducted for the Company, its consolidated subsidiaries, equity-method associates and joint ventures. We did not include a part of consolidated subsidiaries, equity-method associates and joint ventures which do not have any quantitatively or qualitatively material impact on the consolidated financial statements in the scope of assessment of company-level controls.

Regarding the scope of assessment of internal control over business processes, we accumulated business units in descending order of total revenues (after elimination of intercompany transactions) for the previous fiscal year, and those business units whose combined amount of revenues reaches approximately 70% of total revenues on a consolidated basis were selected as "significant business units." In addition, some of our equity-method associates and joint ventures which have a significant effect to our consolidated financial statements were selected as "significant business units." At the selected significant business units, we included, in the scope of assessment, those business processes leading to revenues, accounts receivables and inventories and those business processes relating to greater likelihood of material misstatements and significant account involving estimates or forecasts as significant accounts that may have a material impact on our business objectives. Further, not only at selected significant business units, but also at other business units, we added to the scope of assessment, as business processes having greater materiality considering their impact on the financial reporting, those business processes relating to businesses or operations dealing with high-risk transactions.

3. Matters Related to Results of Assessment

As a result of the assessment above, we concluded that our internal control over financial reporting was effective as of March 31, 2023.

4. Supplementary Matters

None.

5. Special Notes

None.

TRANSLATION

Following is an English translation of the Independent Auditor's Report filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

There are differences between an audit of internal control over financial reporting under the Financial Instruments and Exchange Act and an audit of internal control over financial reporting under the attestation standards established by the American Institute of Certified Public Accountants.
In an audit of internal control over financial reporting under the Financial Instruments and Exchange Act, the auditors express an opinion on management's report on internal control over financial reporting, and do not express an opinion on the Company's internal control over financial reporting taken as a whole.

Independent Auditor's Report
(filed under the Financial Instruments and Exchange Act of Japan)

June 21, 2023

Mr. Keiji Kojima, President & CEO
Hitachi, Ltd.

Ernst & Young ShinNihon LLC
Tokyo, Japan

Designated Engagement Partner, Certified Public Accountant:	Koji Fujima
Designated Engagement Partner, Certified Public Accountant:	Yasuhiro Ozeki
Designated Engagement Partner, Certified Public Accountant:	Shinya Yoshida

[Financial Statements Audit]

Opinion

Pursuant to Article 193-2, Section 1 of the Financial Instruments and Exchange Act of Japan, we have audited the accompanying consolidated financial statements, which comprise the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated financial statements of Hitachi, Ltd. and its consolidated subsidiaries (the Group) applicable to the fiscal year from April 1, 2022 to March 31, 2023.
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position, results of operations and cash flows of the Group applicable to the fiscal year ended March 31, 2023, in accordance with International Financial Reporting Standards (IFRSs) under Article 93 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of recoverable amount of group of cash-generating units containing goodwill related to the power grids business

Description of Key Audit Matter

Hitachi, Ltd. (the Company) recognized goodwill in the amount of 524,951 million yen related to the power grids business (See Note (10) Goodwill and Other Intangible Assets). Such goodwill represents 24% of total goodwill and 4% of total assets of the Group. In the second quarter of the year ended March 31, 2023, the Company recorded an impairment loss in the amount of 38,394 million yen on the related goodwill due to an increase in the discount rate used following the significant rise in interest rates, etc. (See Note (10) Goodwill and Other Intangible Assets). In addition, in the fourth quarter of the year ended March 31, 2023, the Company performed an annual impairment test on the group of cash-generating units containing the goodwill.

The Company measured the recoverable amount based on value in use in the two impairment tests of the group of cash-generating units containing the goodwill. Value in use is determined using discounted future cash flows and is affected by estimates of future cash flows and the discount rate. Future cash flows are estimated based on the five-year business plan and the growth rate beyond the period covered by the business plan is taken into consideration. Key assumptions used for the business plan are revenue growth rates and gross profit ratios. The following growth rates beyond the period covered by the business plan and discount rates were used by the Company.

	Second quarter of the year ended March 31, 2023	Fourth quarter of the year ended March 31, 2023
Growth rates beyond the period covered by the business plan	2.8%	2.9%
Discount rates (before taxes)	13.2%	13.2%

In the year ended March 31, 2023, orders received in the power grids business increased due to the expansion of environment-related investments in the market. On the other hand, there were changes in the business environment such as increases in material prices. Management judgements on the feasibility of measures such as revising sales prices to address the changes in the business environment are required to estimate the revenue growth rates and gross profit ratios. In addition, the growth rate beyond the period covered by the business plan is determined based on the long-term inflation rate forecast released by an external research institution and considering the effect of the interest rate incorporated in the discount rate at the time of the impairment test. Management judgements on the effect of the interest rate are necessary to estimate the growth rate beyond the period covered by the business plan and the discount rate.

We determined that the measurement of the recoverable amount is a key audit matter because of the significance of the balance of goodwill and the significant impact on the consolidated financial statements from the management judgements related to the key assumptions.

Auditor's Response

We primarily performed the following procedures regarding the measurement of each recoverable amount of the group of cash-generating units containing the goodwill.

- We obtained an understanding of the business plan by examining related business planning materials.
- We assessed the effectiveness of the business planning process by comparing the business plan from the prior fiscal year with the corresponding operating results and the business plan at the time of the impairment test.
- We involved valuation specialists from a network firm in assessing the valuation method of value in use, the growth rate beyond the period covered by the business plan and the discount rate.
- We made inquiries of management about status of orders and measures to achieve the business plan such as revising selling prices to address the changes in the business environment such as increases in material prices and compared revenue growth rates and gross profit ratios with actual operating results and available external data such as market research reports related to market growth rates.
- We analyzed the trend of the interest rate and assessed the level of growth rate beyond the period covered by the business plan.
- We made inquiries of management about the risks reflected in the discount rate and assessed their consistency with the risks reflected in future cash flows.
- We performed sensitivity analyses assuming reasonably possible changes in key assumptions, assessing the effect on the recoverable amount.

Estimation of total cost of long-term projects

Description of Key Audit Matter

The Group has long-term projects involving the manufacture and provision of goods in accordance with customer specifications that are completed over specified periods of time to customers in a broad range of business areas across the world.

The Group recognizes revenues from long-term projects in the amount of 1,805,588 million yen by measuring the progress of the project mostly based on the cost incurred relative to the estimated total cost to satisfy the performance obligations (See Note (20) Revenues, (a) Disaggregation of revenue, (b) Information about satisfaction of performance obligations). Furthermore, the Group recognizes provisions for expected losses on construction contracts in the amount of 94,952 million yen based on the estimated amount of losses associated with fulfilling the project requirements (See Note (14) Provisions).

Estimations of total cost of long-term projects affect the corresponding amounts of revenues and provisions. Each of the Group's long-term projects is distinct in terms of customer requirements, such as detailed specifications and scheduling, and therefore estimations of total cost depend on management judgement. Estimations of total cost are particularly complex in relation to large-scale projects.

We determined that the estimation of total cost of long-term projects is a key audit matter because auditing estimations of total cost of long-term projects requires consideration of various factors affecting such estimations corresponding to each project as a result of the nature of the Group's long-term projects.

Auditor's Response
We obtained an understanding of the project management systems utilized by the Group as well as its processes for estimating total cost, and tested the relevant internal controls, including the approval of initial and revised operating budgets that serve as the basis of estimating total cost.
We selected samples of long-term projects, such as those projects whose total contract value exceeded certain materiality thresholds and projects subject to various qualitative risks, including delays in the progress of the project, and, on a quarterly basis, performed selected procedures from the following considering the status of each project:

・We obtained an understanding of the significant factors influencing the estimates related to customer specifications on goods and the timing of delivery and the effects of estimation uncertainty inherent in those significant factors influencing the estimates by examining contracts and project management materials and making inquiries of management and compared specific line items in the estimated total cost with corresponding quotations from suppliers.
・We assessed the management's judgements on the necessity of revising estimates of total cost considering the status of each project based on inquiries of management and by examining project management materials.
・We assessed the effectiveness of the processes for estimating total cost by comparing initial and previous period estimates with the actual total cost for completed projects and previous period estimates with the latest estimates for projects in progress.
・We additionally made separate inquiries to project managers for projects that were considered particularly significant to corroborate management explanations of their status.

Other Information
The other information comprises the information included in the annual report (Yukashoken Hokokusho) that contains audited consolidated financial statements but does not include the consolidated financial statements, financial statements and our audit report thereon. Management is responsible for preparation and disclosure of the other information. The Audit Committee is responsible for overseeing the Group's reporting process of the other information.
Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.
If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by IFRSs, matters related to going concern.
The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRSs.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

[Internal Control Audit]

Opinion

Pursuant to Article 193-2, Section 2 of the Financial Instruments and Exchange Act of Japan, we have audited the accompanying Management's Report on Internal Control Over Financial Reporting for the financial statements as at March 31, 2023 of Hitachi, Ltd. and its consolidated subsidiaries ("Management's Report").

In our opinion, Management's Report referred to above, which represents that the internal control over financial reporting as at March 31, 2023 of Hitachi, Ltd. and its consolidated subsidiaries (the Group) is effective, presents fairly, in all material respects, the result of management's assessment of internal control over financial reporting in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our internal control audit in accordance with auditing standards on internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Internal Control section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Audit Committee for the Management's Report

Management is responsible for designing and operating internal control over financial reporting, and for the preparation and fair presentation of Management's Report in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.

The Audit Committee is responsible for monitoring and verifying the design and operation of internal control over financial reporting.

Internal control over financial reporting may not prevent or detect misstatements completely.

Auditor's Responsibilities for the Audit of Internal Control

Our objectives are to obtain reasonable assurance about whether Management's Report is free from material misstatement, and to issue an auditor's report that includes our opinion from an independent standpoint.

As part of an audit in accordance with auditing standards on internal control generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence relating to the result of management's assessment of internal control over financial reporting in Management's Report. The design and performance of audit procedures for internal control audits is based on our judgement in consideration of the materiality of the effect on the reliability of financial reporting.
- Consider the overall presentation of Management's Report with regards to the scope, procedures, and result of the assessment of internal control over financial reporting including descriptions by management.
- Obtain sufficient appropriate audit evidence regarding the result of management's assessment of internal control over financial reporting in Management's Report. We are responsible for the direction, supervision, and performance of the audit of Management's Report.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the internal control audit, the results of the internal control audit, any significant deficiencies in internal control that we identify, and the results of corrective measures for such significant deficiencies.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of internal control in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

(The above represents a translation, for convenience only, of the original report issued in the Japanese language.)

(Translation)

Following is an English translation of the Confirmation Letter filed under the Financial Instruments and Exchange Act of Japan.

[Cover]

[Document Filed]	Confirmation Letter
[Applicable Law]	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed with]	Director, Kanto Local Finance Bureau
[Filing Date]	June 21, 2023
[Company Name]	Kabushiki Kaisha Hitachi Seisakusho
[Company Name in English]	Hitachi, Ltd.
[Name and title of Representative]	Keiji Kojima, President & CEO
[Name and title of CFO]	Yoshihiko Kawamura, Executive Vice President and Executive Officer
[Address of Head Office]	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya)

1. Matters Related to Adequacy of Statements Contained in the Annual Securities Report

   Mr. Keiji Kojima, President & CEO, and Mr. Yoshihiko Kawamura, Executive Vice President and Executive Officer, confirmed that statements contained in the Annual Securities Report for the 154th fiscal year (from April 1, 2022 to March 31, 2023) were adequate under the Financial Instruments and Exchange Act.

2. Special Notes

   None.